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Disclosure checklists and illustrative financial statements for savings and loan associations : a financial reporting practice aid, January 1989 edition

American Institute of Certified Public Accountants. Technical Information Division

J. Byrne Kelly

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**Disclosure Checklists and
Illustrative Financial
Statements for Savings
and Loan Associations**
A FINANCIAL REPORTING PRACTICE AID

AICPA

American Institute of Certified Public Accountants

Disclosure Checklists and Illustrative Financial Statements for Corporations (Product No. 008515)

**Disclosure Supplements and Illustrative Financial Statements for
Disclosure Checklists and Illustrative Financial Statements for Corporations**

Disclosure Supplement and Illustrative Financial Statements for Construction Contractors (Product No. 008520)

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Disclosure Checklists and Illustrative Financial Statements for Nonprofit Organizations (Product No. 007989)

Disclosure Checklists and Illustrative Financial Statements for Savings and Loan Associations (Product No. 008479)

Disclosure Checklists and Illustrative Financial Statements for State and Local Governmental Units (Product No. 008500)

January 1989 Edition

Disclosure Checklists and Illustrative Financial Statements for Savings and Loan Associations

A FINANCIAL REPORTING PRACTICE AID

Edited by:

J. Byrne Kelly, CPA
Technical Manager
Technical Information Division

The Disclosure Checklists and Illustrative Financial Statements for Savings and Loan Associations have not been approved, disapproved, or otherwise acted upon by any senior technical committees of the American Institute of Certified Public Accountants, or the Financial Accounting Standards Board and have no official or authoritative status.

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DISCLOSURE CHECKLISTS AND ILLUSTRATIVE FINANCIAL STATEMENTS FOR SAVINGS AND LOAN ASSOCIATIONS

The checklists and illustrative financial statements included in this booklet have been developed by the staff on the Technical Information Division of the AICPA as non authoritative technical practice aids. Readers should be aware of the following:

- o The checklists and illustrative financial statements are "tools" and in no way represent official positions or pronouncements of the AICPA.
- o The checklists and illustrative financial statements have been updated through SAS No. 61, SSARS No. 6, FASB Statement of Financial Accounting Standards No. 99, FASB Interpretation No. 38, and FASB Technical Bulletin No. 87-3. A supplemental checklist outlines disclosure requirements of FHLBB Regulations, part 563C as of December 31, 1987. PA Bulletins issued through December 31, 1987, have been reviewed, and consequently, disclosure requirements in PA Bulletins 7a and 7a-1 have been incorporated. R & T memos issued through December 31, 1987, did not contain financial statement disclosure requirements, and are consequently not incorporated. The checklists should be modified, as appropriate, for subsequent pronouncements. In determining the applicability of a pronouncement, its effective date should also be considered.
- o The checklists and illustrative financial statements should be used by or under the supervision of persons having adequate technical training and proficiency in the application of generally accepted accounting principles, generally accepted auditing standards, and statements on standards for accounting and review services.
- o The checklists and illustrative financial statements do not represent minimum requirements and do not purport to be all-inclusive. The referenced standard should be reviewed if clarification is desired as to whether the disclosure indicated is required or suggested, and to what extent the disclosure is relevant to the statements being examined.

Users of these checklists and illustrative financial statements are urged to refer directly to applicable authoritative pronouncements when appropriate. If you have further questions, call the AICPA Technical Hotline (see back cover).

John Graves
Director
Technical Information Division

DISCLOSURE CHECKLISTS AND ILLUSTRATIVE FINANCIAL STATEMENTS FOR
SAVINGS AND LOAN ASSOCIATIONS

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Introduction

The Savings institutions industry operates under comprehensive Federal and state rules and regulations. These rules and regulations greatly influence the accounting and financial reporting.

Savings institutions subject to the Securities and Exchange Act of 1934 administered by the Securities and Exchange Commission and the Federal Home Loan Bank Board are subject to extensive financial and accounting disclosures.

Common accounting and reporting by savings institutions include:

- o Accrual basis of accounting is the only acceptable basis of accounting under GAAP, although some savings institutions may report certain revenue and expense items differently for regulatory accounting purposes.
- o Savings institutions usually prepare a non-classified statement of financial condition.
- o Investments in debt securities should be recorded at cost, except for investments held for sale or trading assets. Any premium or discount should be amortized using the interest method. Parenthetical disclosures of market values should be made in the financial statements or notes.
- o Most institutions invest in mortgage-backed securities which should be classified as a separate line item on the statement of financial condition.
- o Savings institutions that are members of the Federal Home Loan Bank system are required to maintain a specified investment in shares of FHLB stock and be insured by the FSLIC or FDIC.
- o Disclosures should be made in the notes to financial statements of the composition of savings accounts by interest rates and maturities.
- o Short-term and long-term advances can be obtained from the Federal Home Loan Bank. Appropriate note disclosures should be made.
- o The statement of operations is usually reported on a "net interest income" basis (interest expense is deducted from interest revenues).
- o The provisions for loan losses is usually reported as a deduction from net interest income.

Disclosure Checklists__General

Many auditors and accountants find it helpful to use checklists as practice aids in the preparation of financial statements and reports. Some firms have developed their own checklists for internal use, and may also have specialized checklists to meet the needs of their practices, such as checklists for clients in particular industries or clients that report to the SEC. Some state CPA societies have developed checklists as practice aids which may be available to other practitioners as well as to their own members. Some commercial publishers also include checklists in certain of their publications. However, authoritative literature does not require the use of such checklists, nor does it prescribe their format or content, which may vary.

Checklists typically consist of a number of brief questions or statements that are accompanied by references to Statements on Auditing Standards, Statements on Standards for Accounting and Review Services, Statements of Financial Accounting Standards, Accounting Principles Board Opinions and Accounting Research Bulletins. Some checklists also include references to FASB Interpretations, and Industry Audit Guides. The extent of detail included in checklists varies with the judgment of the preparers on how extensively to refer to and highlight authoritative literature without developing a checklist that is too long and unwieldy. Accordingly, checklists may serve as convenient memory aids but cannot be used as a substitute for direct references to the authoritative literature.

Checklists usually provide for checking off or initialling each question or point to show that it has been considered. The format used in this booklet is a typical one; it provides for "yes," "no," and "not applicable" answers and presumes that remarks would be prepared on separate cross-referenced memorandums. Some preparers, however, prefer to include space for remarks in the body of the checklist while others prefer alternative checklist formats. For example, a checklist format may provide for the following set of answers: "not applicable," "not material," "in statements," and "in notes" (with provisions for indicating a cross reference to the specific statement caption or note). Another format may provide for only two answers, "disclosed" and "not applicable." Firms and practitioners who develop their own checklists should adopt formats that suit their needs and preferences.

Disclosure checklists are generally accompanied by caveats that include all of the following points:

- o Use of the checklists requires the exercise of individual professional judgment and may likely require some modification based on the circumstances of individual engagements.
- o The checklists are not all-inclusive and are not intended to present minimum requirements.

- o Users need to modify the checklists for any pronouncements issued subsequent to those mentioned in the checklist.

If widespread circulation is expected, the preparers also generally stress the nonauthoritative or unofficial status of the checklists and disclaim responsibility for the way they may be used.

Auditors' Reports Checklist

This checklist has been developed by the staff of the Technical Information Division of the AICPA as a nonauthoritative practice aid.

Explanation of references:

SAS = Statement of Auditing Standards

(AU) = Reference to section number in
AICPA Professional Standards
(vol. 1) of SAS cited

SSARS = Statement on Standards for
Accounting and Review Services

(AR) = Reference to section number in
AICPA Professional Standards
(vol. 2) of SSARS cited

Checklist Questionnaire

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<hr/>			
Auditors' Reports Checklist			
1. Does the auditor's report include the appropriate:			
a. Addressee [SAS 58, par. 9 (AU 508.09)]	_____	_____	_____
b. Date (or dual dates) of the report? [SAS 1, sec. 530 (AU 530); SAS 58, par. 46 (AU 508.46); SAS 26, pars. 15-17 (AU 504.15-.17)]	_____	_____	_____
c. A title that includes the word "independent"? [SAS 58, par. 8 (AU 508.08)]	_____	_____	_____
2. If the auditor is not independent, has the appropriate disclaimer been expressed regardless of the extent of services provided? [SAS 1, sec. 220 (AU 220)]	_____	_____	_____
a. For a public entity? [SAS 26, pars. 8-10 (AU 504.08-.10)]	_____	_____	_____
b. For a nonpublic entity? [SSARS No. 1, pars. 22 and 38 (AR 100.22 and .38)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
3. Does the reporting language conform with the auditor's standard report on:			
a. Financial statements of a single year or period? [SAS 58, par. 8 (AU 508.08)]	_____	_____	_____
b. Comparative financial statements? [SAS 58, par. 8 (AU 508.08)]	_____	_____	_____
4. Does the auditor's report include appropriate language with respect to the following:			
a. The auditor's opinion is based in part on the report of another auditor? [SAS 1, sec. 543 (AU 543); SAS 7 9AU 315); SAS 58, pars. 12-13 (AU 508.12-.13)]	_____	_____	_____
b. Departure from a promulgated accounting principle which could lead to a misleading financial statement? [SAS (AU 411); SAS 58, pars. 14-15 (AU 508.14-15)]	_____	_____	_____
c. The financial statements were affected by uncertainties concerning future events, the outcome of which is not susceptible of reasonable estimation? [SAS 58, pars. 16-33 (AU 508.16-33)]	_____	_____	_____
d. There is substantial doubt about the ability to continue as a going concern? [SAS 59, par. 13 (AU 341.13)]	_____	_____	_____
e. There has been a material change between periods in accounting principles or in the method of their application? [SAS 58, pars. 34-36 (AU 508.34-.36)]	_____	_____	_____
f. Opinion on prior-period financial statements different from the opinion previously expressed? [SAS 58, pars. 77-78 (AU 508.77-.33)]	_____	_____	_____
g. Predecessor auditors report reissued? [SAS 58, pars. 80-82 (AU 508.80-.82)]	_____	_____	_____
h. Selected quarterly financial data required			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
by the SEC has been omitted or has not been reviewed? [SAS 36, par. 29 (AU 722.29)]	_____	_____	_____
i. Required supplemental information has:			
(1). Been omitted?	_____	_____	_____
(2). Presentation of information departs materially from FASB guidelines?	_____	_____	_____
(3). The auditor is unable to complete prescribed procedures?	_____	_____	_____
(4). The auditor has substantial doubts that the information conforms to FASB guidelines? [SAS 52 (AU 551.15)]	_____	_____	_____
j. Other information in the document containing the audited financial statements is materially inconsistent with information appearing in the financial statements? [SAS 8, par. 4 (AU 550.04)]	_____	_____	_____
k. A matter regarding the financial statements that should be emphasized? [SAS 58, par. 37 (AU 508.37)]	_____	_____	_____
l. Report on one basic financial statement and there are no scope limitations? [SAS 58, par. 48 (AU 508.48)]	_____	_____	_____
m. Reports on comparative financial statements? [SAS 58, pars. 74-75 (AU 508.74-.75)]	_____	_____	_____
n. For comparative financial statements, there is an unqualified opinion on one of the financial statements and a qualified or adverse opinion, disclaimer or an explanatory paragraph on one or more financial statements for one or more periods? [SAS 58, pars. 5 and 76 (AU 508.05 and .76)]	_____	_____	_____
o. Comparative financial statements with an opinion different from the opinion previously expressed? [SAS 58, pars. 77-78 (AU 508.77-.78)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
p. Comparative financial statements when a predecessor auditor's report is not presented?	_____	_____	_____
q. Audited and unaudited financial statements in comparative form?	_____	_____	_____
r. Report on comparative statements of income, retained earnings, and cash flows without presentation of comparative balance sheets for the prior periods? [SAS 58, par. 8, fn 7 (AU 508.08 fn 7)]	_____	_____	_____
5. Has a qualified opinion or disclaimer of opinion been expressed if:			
a. There is a lack of sufficient competent evidential matter or there are restrictions on the scope of the audit? [SAS 31, par. 22 (AU 326.23); SAS 58, pars. 40-48 (AU 508.40-.48)]	_____	_____	_____
6. Has a qualified opinion or an adverse opinion been expressed if the following circumstances are present:			
a. An uncertainty is not adequately disclosed in the financial statements? [SAS 58, par. 20 (AU 508.20)]	_____	_____	_____
b. The accounting principles used cause the financial statements to be materially misstated? [SAS 58, par. 21 (AU 508.21)]	_____	_____	_____
c. Unreasonable accounting estimates that cause the financial statements to be misstated? [SAS 58, par. 22 (AU 508.22)]	_____	_____	_____
d. The financial statements contain a material departure from GAAP, inadequate disclosure or an accounting change? [SAS 58, pars. 49-66 (AU 508.49-.66)] SAS 54, par. 18 (AU 317.18)] SAS 32, par. 3 (AU 431.03)] SAS 59, par. 12 (AU 341.12)]	_____	_____	_____
7. Has an adverse opinion been expressed if the financial statements do not present fairly the financial position or the results of operations or cash flows in conformity with GAAP? [SAS 58, pars. 67-69 (AU 508.67-.69)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
8. Has a disclaimer of opinion been expressed on the financial statements when the auditor has not performed an audit sufficient in scope to enable him to form an opinion? [SAS 58, par. 70 (AU 508.70)]	_____	_____	_____
a. Have any reservations regarding the fair presentation in conformity with generally accepted accounting principles been disclosed? [SAS 58, par. 71 (AU 508.71)]	_____	_____	_____
9. If a qualified opinion, adverse opinion, or disclaimer of opinion is expressed:			
a. Are all the substantive reasons for the opinion or disclaimer or opinion disclosed? [SAS 58, pars. 39, 40, 51, 68 and 71 (AU 508.30, .40, .51, .68 and .71)]	_____	_____	_____
b. Is the reporting language clear and appropriate for the:			
(1). Qualified opinion? [SAS 58, pars. 36-66 (AU 508.38-.66)]	_____	_____	_____
(2). Adverse opinion? [SAS 58, pars. 67-69 (AU 508.67-.69)]	_____	_____	_____
(3). Disclaimer of opinion? [SAS 58, pars. 70-72 (AU 508.70-.72)]	_____	_____	_____
10. Does the report include modification, if applicable, for the following:			
a. Conditions that precluded application of the necessary auditing procedures to long-term investments? [SAS 58, par. 42 (AU 508.42)]	_____	_____	_____
b. Regulated companies? [SAS 1, sec. 544.02-.04 (AU 544.02-.04); SAS 14, pars. 2-8 (AU 621.02-.08)]	_____	_____	_____
c. Inadequate disclosure? [SAS 58, pars. 55-58 (AU 508.55-.58)]	_____	_____	_____
d. Client representations about related party transactions? [SAS 45, par. 2 (AU 334.12)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
e. Client's refusal to provide written representations? [SAS 19, par. 11 (AU 333.11)]	_____	_____	_____
f. Limitations on the scope of the lawyer's response? [SAS 58, pars. 12-14 (AU 337.12-.14)]	_____	_____	_____
g. Unresolved matters involving specialists? [SAS 11, par. 9 (AU 336.09)]	_____	_____	_____
h. Scope limitation concerning errors or irregularities? [SAS 58, pars. 26-27 (AU 316.26-.27)]	_____	_____	_____
i. Illegal acts by clients? [SAS 54, (AU 317)]	_____	_____	_____
j. Segment information? [SAS 21, (AU 435)]	_____	_____	_____
k. Entity's continued existence? [SAS 59, pars. 12-16 (AU 341.12-.16)]	_____	_____	_____
l. Material misstatement of the financial statements? [SAS 47, par. 31 (AU 312.31)]	_____	_____	_____
m. Financial statements issued before the effective date of a Statement of Financial Accounting Standards when disclosure is not made of the effect of a restatement which will be required in the future as a result of the FASB Statement? [Interpretation 3 of SAS 1, section 410 (AU 9410.13-.15)]	_____	_____	_____
n. Client's voluntarily including supplementary information which has not been audited? [SAS 52, par. 3 (AU 558.03)]	_____	_____	_____
11. Has a piecemeal opinion been avoided? [SAS 58, par. 73 (AU 508.73)]; SAS 14, par. 12 (AU 621.12)]	_____	_____	_____
12. For special reports, have the provisions of SAS 14 and SAS 35 been complied with for the following:			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
a. Statements prepared in accordance with a comprehensive basis of accounting other than generally accepted accounting principles? [SAS 14, pars. 2-8 (AU 621.02-.08)]	_____	_____	_____
b. Specified elements, accounts or items of a financial statement? [SAS 14, pars. 9-14 (AU 621.09-.14); SAS 35 (AU 622)]	_____	_____	_____
c. Compliance with aspects of contractual agreements or regulatory requirements relating to audited financial statements? [SAS 14, pars. 18-19 (AU 621.18-.19)]	_____	_____	_____
d. Financial information that requires a prescribed form of auditor's report? [SAS 14, pars. 20-21 (AU 621.20-.21)]	_____	_____	_____
13. If information is to accompany the basic financial statements and auditor's report in an auditor-submitted document (long-form report):			
a. Is there a clear distinction between the client's representations and auditor's representations? [SAS 29, par. 20 (AU 551.20)]	_____	_____	_____
b. Does the auditor's report on the accompanying information:			
(1) State that the examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole?	_____	_____	_____
(2) Specifically identify the accompanying information?	_____	_____	_____
(3) State that the accompanying information is presented for purposes of additional analysis and is not part of the basic financial statements?	_____	_____	_____
(4). State whether the additional information has been subjected to the auditing procedures applied in examining the basic financial statements and whether the appropriate expression or disclaimer of			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
opinion is included? [SAS 29, pars. 6-11 (AU 551.06-.11)]	_____	_____	_____
14. If an auditor-submitted document with accompanying information (long-form report) is co-existing with a document that includes just the basic financial statements and the auditor's report:			
a. Do the basic financial statements in all co-existing documents consistently include all the information necessary for a fair presentation in conformity with generally accepted accounting principles? [SAS 29, par. 21 (AU 551.21)]	_____	_____	_____
b. Are any additional comments or explanations by the auditor consistent with the description of the scope of the examination in the auditor's standard (or modified) report? [SAS 29, par. 20 (AU 551.20)]	_____	_____	_____
15. If the document contains interim financial information, has the auditor's report been expanded, if required? [SAS 36, pars. 24-30 (AU 722.24-.30)]	_____	_____	_____
16. If supplementary information required by the FASB is presented outside the basic financial statements in an auditor-submitted document, has an opinion been disclaimed on such information unless it has been audited? [SAS 27, pars. 8 and 11 (AU 551.15) (as amended by SAS 52, par. 3 9AU 558.03)]	_____	_____	_____
17. If the client is subject to FASB requirements to include certain supplementary information in documents containing audited financial statements, has the auditor's report been appropriately modified if:			
a. Required supplementary information is omitted?	_____	_____	_____
b. Measurement or presentation of the supplementary information departs materially from guidelines prescribed by the FASB?	_____	_____	_____
c. The auditor is unable to complete the procedures prescribed by SAS 52? [SAS 52, par. 2 (AU 558.02)]	_____	_____	_____

Yes No N/A

18. if a report on internal accounting control is to be issued (material weaknesses in internal accounting control ("reportable conditions") that come to the auditor's attention must be communicated, preferably in writing, to the audit committee or the board of directors [SAS 60 (AU 325)] is the appropriate form used for:

a. A report for the restricted use of management, specified regulatory agencies, or other specified third parties, based solely on a study and evaluation made as part of an audit of financial statements but not sufficient for expressing an opinion on the system?
[SAS 30, pars. 47-53 (AU 642.47-.53)]

b. Communication to the audit committee of internal control structure related matters noted in an audit or other agreed upon matters?
[SAS 60, pars. 12-19 (AU 325.12-.19)]

c. A report on all or part of an entity's system for restricted use of management or specified regulatory agencies, based on the regulatory agencies' pre-established criteria?
[SAS 30, pars. 54-59 (AU 642.54-.59)]

d. Other special purpose reports on all or part of the entity's system for restricted use of management, specified regulatory agencies, or other specified third parties?
[SAS 30, pars. 60-61 (AU 642.60-.61); SAS 44, pars. 35, 41 and 46 (AU 324.35, .41 and .46)]

19. If reporting in a client-prepared document on condensed financial statements (either for an annual or an interim period) that are derived from audited financial statements of a public entity that is required to file, at least annually, complete audited financial statements with a regulatory agency, does the auditor's report indicate:

a. That the auditor has examined and expressed an opinion on the completed financial statements?

b. The date of the report on the complete financial statements?

c. The type of opinion expressed?

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
d. Whether, in the auditor's opinion, the information set forth in the condensed financial statements is fairly stated in all material respects in relation to the complete financial statements from which it has been derived? [SAS 42, par. 4 (AU 552.05)]	_____	_____	_____
20. If a statement that names the auditor and also states that condensed financial statements have been derived from audited financial statements is made in a client-prepared document that does not include audited financial statements and the client is not a public entity that is required to file complete audited financial statements with a regulatory agency, at least annually, does the auditor's report express a qualified or adverse opinion on the condensed financial statements because of inadequate disclosure? [SAS 58, par. 55 (AU 508.55); SAS 42, pars. 7, footnote 6 (AU 552.07, footnote 6)]	_____	_____	_____
21. If reporting on selected financial data that are included in a client-prepared document that contains audited financial statements (or, with respect to a public entity, that incorporates such statements by reference to information filed with a regulatory agency) and that are derived from audited financial statements, does the auditor's report indicate the following:			
a. That the auditor has examined and expressed an opinion on the complete financial statements?	_____	_____	_____
b. The type of opinion expressed?	_____	_____	_____
c. The specific data on which the auditor is reporting?	_____	_____	_____
d. Whether, in the auditor's opinion, the information set forth in the selected financial data is fairly stated in all material respects in relation to the complete financial statements from which it has been derived? [SAS 42, par. 9 (AU 552.09)]	_____	_____	_____
22. If the selected financial data for any of the years presented are derived from financial statements that were examined by another independent auditor, does the auditor's report on the selected financial data state that fact and express a disclaimer of opinion on that data? [SAS 42, par. 9 (AU 552.09)]	_____	_____	_____

Financial Statements and Notes Checklist

This checklist has been developed by the staff of the Technical Information Division of the AICPA as a nonauthoritative practice aid.

Explanation of references:

ARB = Accounting Research Bulletin
APB = Accounting Principles Board Opinion
SFAS = Statement of Financial Accounting Standards
SAS = Statement on Auditing Standards
FASBI = Financial Accounting Standards Board Interpretation
TB = Technical Bulletin issued by the staff of the FASB¹
(AC) = Reference to section number in FASB Accounting Standards Current Text
(AU) = Reference to section number in AICPA Professional Standards (vol. 1) of SAS cited
A&AG = Audit and Accounting Guide, Savings and Loan Associations
SOP = AICPA Statement of Position
NTP = Notice to Practitioners--"ADC Arrangements"

Checklist Questionnaire

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
General			
A. Titles and References			
1. Are the financial statements suitably titled? [SAS 14, par. 7 (AU 621.07)]	_____	_____	_____
2. Does each statement include a general reference to the notes that are an integral part of the financial statement presentation? [APB Statement 4, Ch. 2, par. 10]	_____	_____	_____
B. Disclosure of Accounting Policies			
1. Is a description of all significant accounting policies of the reporting entity presented as an integral part of the financial statements? [APB 22, par. 8 (AC A10.102)]	_____	_____	_____
2. Does disclosure of significant accounting policies encompass important judgments as to the appropriateness of principles concerning recognition of revenue, and allocation of asset costs to current and future periods? [APB 22, par. 12 (AC A10.105); TB 82-1, par. 7 (AC I25.506)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
3. Does the disclosure of significant accounting policies include appropriate reference to details presented elsewhere (in the statements and notes thereto) so duplication of details is avoided? [APB 22, pars. 14 (AC A10.107)]	_____	_____	_____

C. Accounting Changes

1. For all changes in accounting principles, are the following disclosures made in the year of change:			
a. Nature of the change?	_____	_____	_____
b. Justification for the change?	_____	_____	_____
c. Effect on income before extraordinary items and on net income?	_____	_____	_____
d. Effect on related per share amounts? [APB 20, pars. 17 and 19 (AC A06.113 and .115)]	_____	_____	_____
2. For those changes in accounting principles requiring disclosure of cumulative effect and pro forma amounts, are such disclosures made? [APB 20, pars. 19-21, 25 (AC A06.115-.118, .121)]	_____	_____	_____
3. For changes in the method of accounting for post-retirement life insurance and health care benefits, are appropriate disclosures made? [TB 87-1, par. 4 (AC P50.503)]	_____	_____	_____
4. For those changes in accounting principles requiring restatement of prior periods, is the effect of the change disclosed for all periods presented? [APB 20, pars. 28 and 35 (AC A06.124 and A35.113)]	_____	_____	_____
5. Have the applicable AICPA Statements of Position and Guides listed in Appendix A to SFAS 83 (AC section A06 Exhibit 112A) been considered in justification of a change in accounting principle? [SFAS 32, pars. 10-11 (AC A06.112); APB 20, par. 16 (AC A06.112); SFAS 83, pars. 5-6 (AC A06.112)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
6. For a change in accounting estimate affecting several future periods, are the following disclosures made in the year of change:			
a. Effect on income before extraordinary items and on net income?	_____	_____	_____
b. Effect on related per share amounts? [APB 20, par. 33 (AC A06.132)]	_____	_____	_____
7. Is the correction of an error shown as a prior period adjustment with disclosure of the following in the period of its discovery and correction:			
a. Nature of the error in previously issued financial statements?	_____	_____	_____
b. Effect of its correction on income before extraordinary items, net income (and related per share amounts)? [APB 20, pars. 36-37 (AC A35.105); SFAS 96, par. 205m (AC A35.103)]	_____	_____	_____
8. If interim financial data and disclosures are not separately reported for the fourth quarter and an accounting change is made during the fourth quarter, is disclosure made in the year of change of:			
a. The effect on the interim periods?	_____	_____	_____
b. Cumulative effect? [APB 28, par 31. SFAS 3, par. 14 (AC I73.147)]	_____	_____	_____

D. Comparative Financial Statements

1. Have comparative statements been considered? [ARB 43, Ch. 2A, pars. 1-2 (AC F43.101-.102)]	_____	_____	_____
2. Are the notes and other disclosures included in the financial statements of the preceding year(s) presented, repeated or at least referred to, to the extent that they continue to be of significance? [ARB 43, Ch. 2A, par. 2 (AC F43.102)]	_____	_____	_____
3. If changes have occurred in the manner of or basis for presenting corresponding items for			

Yes No N/A

two or more periods, are appropriate explanations of the changes disclosed?
[ARB 43, Ch. 2A, par. 2 (AC F43.102)]

E. Business Combinations

1. If a business combination occurred during the period and met the specified conditions for a pooling of interests [APB 16, pars. 45-48 (AC B50.104-.107)]:

a. Has the required accounting method been applied?

[APB 16, pars. 50-62 (AC B50.109-.121)]

b. Do the statements and notes include the required disclosures?

[APB 16, pars. 63-65 (AC B50.122-.124)]

2. If a business combination does not meet the specified conditions for a pooling of interests:

a. Has the combination been accounted for by the purchase method?

[APB 16, pars. 66-94; SFAS 96, pars. 23 and 205c (AC B50.125-.147A and .159-.163); SFAS 38 (AC B50.148-.150 and .166); FASBI 9, pars. 4-7 (AC B50.155-.157)]

b. Do the statements and notes include the required disclosures?

[APB 16, pars. 95-96 (AC B50.164-.165)]

c. In connection with the acquisition of a banking or thrift institution, are the nature and amounts of any regulatory financial assistance disclosed?

[SFAS 72, par. 11 (AC B50.158F)]

3. If significant, has the amount of net operating loss or tax credit carry-forwards for which any tax benefits will be applied to reduce goodwill and other noncurrent assets (of an acquired enterprise) been disclosed separately?
[APB 2, par. 16, SFAS 96, par. 29 (AC I25-.128 and .187)]

4. If financial statements for prior years are restated, have all purchase business combi-

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
nations that were consummated in those prior years been remeasured in accordance with the requirements of SFAS 96? [SFAS 96, par. 35]]	_____	_____	_____

F. Consolidations

1. If consolidated statements are presented:

a. Is the consolidation policy disclosed? [ARB 51, par. 5 (AC C51.108); APB 22, par. 13 (AC A10.106)]	_____	_____	_____
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b. Are intercompany balances and transactions eliminated? [ARB 51, par. 6 (AC C51.109)]	_____	_____	_____
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c. Are summarized financial statements of consolidated subsidiaries included in notes to financial statements or in a schedule? [A&AG, pages 93-96]	_____	_____	_____
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d. In instances when the financial reporting periods of subsidiaries differ from that of the parent, is recognition given to the effect of intervening events that materially affect financial position or the results of operations? [ARB 51, par. 4 (AC C51.107); SFAS 12, pars. 18-20 (AC I89.112-.114); FASBI 13 (AC I89.120-.122)]	_____	_____	_____
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2. Are the accounts of majority owned subsidiaries consolidated? [SFAS 94, par. 13 (AC C51.103)]	_____	_____	_____
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3. If the consolidated financial statements include more than one accepted practice of accounting for marketable securities, are the required disclosures for the various methods disclosed? [SFAS 12, par. 20 (AC I89.114)]	_____	_____	_____
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4. Do disclosures about formerly unconsolidated majority-owned subsidiaries from financial statements for fiscal years 1986 or 1987 include summarized information about the assets, liabilities, and results of operations (or			
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Yes No N/A

separate statements) in the consolidated financial statements or notes?
[SFAS 94, par. 14 (AC C51.120A)]

G. Related Party Transactions and Economic Dependency

1. For related party transactions do disclosures include:

a. The nature of the relationship(s) involved (e.g., parent, subsidiary and affiliate companies, officers, stockholder, etc.)?

b. A description of the transactions, including transactions to which no amounts or nominal amounts were ascribed, for each of the periods for which income statements are presented, and such other information deemed necessary to an understanding of the effects of the transactions on the financial statements?

c. The dollar amounts of transactions for each of the periods for which income statements are presented and the effects of any change in the method of establishing the terms from that used in the preceding period?

d. Amounts due from or to related parties as of the date of each balance sheet presented and, if not otherwise apparent, the terms and manner of settlement?
[SFAS 57, pars. 2-4 (AC R36.102-.104)] ,

e. If part of a group that files a consolidated tax return, is the amount of current and deferred tax expense disclosed for each of the periods for which income statements are presented and the amount of any tax-related balances due to or from affiliates as of the date of each balance sheet presented?

f. Are the principal provisions of the method current and deferred tax expense allocated to members of the group and are the nature and effect of any changes in the method disclosed for each of the periods for which income statements are presented?
[SFAS 96, par. 30 (I25-129)]

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
2. Is information about economic dependency disclosed when necessary for a fair presentation? [SFAS 21, par. 9 (AC S20.103)]	_____	_____	_____
3. Is the nature of a controlled relationship disclosed, even though there are no transactions between the enterprises, if the reporting enterprise and one or more other enterprises are under common ownership or management control and the existence of the control could result in operating results or financial position of the reporting enterprise significantly different from those that would have been obtained if the enterprise were autonomous? [SFAS 57, pars. 2 & 4 (AC R36.102 and .104)]	_____	_____	_____
H. Foreign Currency			
1. Is the aggregate transaction gain or loss included in net income for the period disclosed? [SFAS 52, par. 30 (AC F60.140)]	_____	_____	_____
2. Does analysis of changes during the period in the separate component of equity for cumulative translation adjustments disclose:			
a. Beginning and ending amount of cumulative translation adjustments?	_____	_____	_____
b. The aggregate adjustment for the period resulting from translation adjustments and gains and losses from certain hedges and intercompany balances?	_____	_____	_____
c. The amount of income taxes for the period allocated to translation adjustments?	_____	_____	_____
d. The amounts transferred from cumulative translation adjustments and included in the determination of net income for the period as a result of the sale or complete or substantially complete liquidation of an investment in a foreign entity? [SFAS 52, par. 31 (AC F60.141)]	_____	_____	_____
3. Are rate changes occurring after the date of the financial statements and the effects on unsettled balances related to foreign currency translations disclosed, if significant? [SFAS 52, par. 32 (AC F60.142)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
4. Are any foreign earnings reported in addition to amounts received in the United States disclosed, if significant? [ARB 43, Ch. 12, par. 5 (AC F65.102)]	_____	_____	_____
5. Has disclosure of principal amounts of spot and forward exchange contracts been considered? [SFAS 80 (AC F80)]	_____	_____	_____
 I. Contingencies and Commitments			
1. Are the nature and amount of accrued loss contingencies disclosed as necessary to keep the financial statements from being misleading? [SFAS 5, par. 9 (AC C59.108)]	_____	_____	_____
2. For loss contingencies not accrued do disclosures indicate:			
a. Nature of the contingency?	_____	_____	_____
b. Estimate of possible loss or range of loss, or a statement that such estimate cannot be made? [SFAS 5, par. 10 (AC C59.109 and .111)]	_____	_____	_____
3. Are the nature and amount of guarantees disclosed (for example, obligations under standby letters of credit, guarantees to repurchase loans that have been sold)? [SFAS 5, par. 12 (AC C59.113); FASBI 34, pars. 1-3 (AC C59.114)]	_____	_____	_____
4. Are gain contingencies adequately disclosed with care to avoid any misleading implications about the likelihood of realization? [SFAS 5, par. 17 (AC C59.118)]	_____	_____	_____
5. Is there adequate disclosure of commitments, such as those for capital expenditures, for purchase or sale of securities under financial futures contracts, and for funding of loans? [SFAS 5, pars. 18-19 (AC C59.120); FASB 80 (AC F80); A&AG, page 36]	_____	_____	_____
 J. Subsequent Events			
1. Are the financial statements adjusted for any changes in estimates resulting from subsequent			

Yes No N/A

events that provided additional evidence with respect to conditions that existed at the date of the balance sheet?

[SFAS 5, par. 8 (AC C59.105); SAS 1, secs. 560.03-.04, .07 and 561.01-.09 (AU 560.03-.04, .07 and 561.01-.09)]

2. Are subsequent events that provide evidence with respect to conditions that did not exist at the date of the balance sheet but arose subsequent to that date adequately disclosed to keep the financial statements from being misleading?

[SFAS 5, par. 11 (AC C59.112); APB 16, par. 61 (AC B50.120); SAS 1, secs. 560.05-.07, .09 and 561.01-.09 (AU 560.05-.07, .09 and 561.01-.09)]

K. Pension Plans - For defined benefit pension plans, accounting and reporting by the plans themselves should be in conformity with SFAS 35 [AC Pe5]

1. If there is a defined benefit plan, do disclosures include:

a. A description of the plan including employee groups covered, type of benefit formula, funding policy, types of assets held and significant nonbenefit liabilities, if any, and the nature and effect of significant matters affecting comparability of information for all periods presented?

b. The amount of net periodic pension cost for the period showing separately the service cost component, the interest cost component, the actual return on assets for the period, and the net total of other components?

Note: The net total of other components is the net effect during the period of certain delayed recognition provisions of SFAS 87 [AC P16]. That net total includes:

a. The net asset gain or loss during the period deferred for later recognition (in effect, an offset or a supplement to the actual return on assets)

b. Amortization of the net gain or loss from earlier periods

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
c. Amortization of unrecognized prior service cost	_____	_____	_____
d. Amortization of the unrecognized net obligation or net asset existing at the date of initial application of SFAS 87 [AC P16]	_____	_____	_____
c. A schedule reconciling the funded status of the plan with amounts reported in the employer's statement of financial position, showing separately:			
(1). The fair value of plan assets?	_____	_____	_____
(2). The projected benefit obligation identifying the accumulated benefit obligation and the vested benefit obligation?	_____	_____	_____
(3). The amount of unrecognized prior service cost?	_____	_____	_____
(4). The amount of unrecognized net gain or loss (including asset gains and losses not yet reflected in market-related value)?	_____	_____	_____
(5). The amount of any remaining unrecognized net obligation or net asset existing at the date of initial application of SFAS 87 [AC P16]?	_____	_____	_____
(6). The amount of any additional liability recognized pursuant to SFAS 87, paragraph 36 [AC P16.130]?	_____	_____	_____
(7). The amount of net pension asset or liability recognized in the statement of financial position pursuant to SFAS 87, paragraphs 35-36 [AC P16.129-.130] (which is the net result of combining the preceding six items)?	_____	_____	_____
d. The weighted-average assumed discount rate and rate of compensation increase (if applicable) used to measure the projected benefit obligation and the weighted-average expected long-term rate of return on plan assets?	_____	_____	_____
e. If applicable, the amounts and types of securities of the employer and related			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
parties included in plan assets, and the approximate amount of annual benefits of employees and retirees covered by annuity contracts issued by the employer and related parties?	_____	_____	_____
(1). Also, if applicable, the alternative amortization method used pursuant to SFAS 87, paragraphs 26 and 33 [AC P16.120 and .127], and the existence and nature of the commitment discussed in SFAS 87, paragraph 41 [AC P16.135]? [SFAS 87, par. 54 (AC P16.150)]	_____	_____	_____
f. If more than one defined benefit plan exists:			
(1). Have the disclosures required by 1 above been aggregated for all of the employer's single-employer defined benefit plans or disaggregated in groups so as to provide the most useful information?	_____	_____	_____
(2). Are plans with assets in excess of accumulated benefit obligations not aggregated with plans that have accumulated benefit obligations that exceed plan assets?	_____	_____	_____
(3). Are disclosures for plans outside the U.S. not combined with those for U.S. plans unless those plans use similar economic assumptions? [SFAS 87, par. 56 (AC P16.153)]	_____	_____	_____
2. If there is a defined contribution plan, do disclosures include:			
a. A description of the plan(s) including employee groups covered, the basis for determining contributions, and the nature and effect of significant matters affecting comparability of information for all periods presented?	_____	_____	_____
b. The amount of cost recognized during the period? [SFAS 87, par. 65 (AC P16.162)]	_____	_____	_____
c. If the pension plan has characteristics of both a defined benefit plan and a defined contribution plan:			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
(1). Is the substance of the plan to provide a defined benefit?	_____	_____	_____
(2). If yes, have disclosures required for a defined benefit plan been made? [SFAS 87, par. 66 (AC P16.163)]	_____	_____	_____
3. If there is a multiemployer plan, do disclosures include:			
a. A description of the multiemployer plan(s) including the employee groups covered, the types of benefits provided (defined benefit or defined contribution), and the nature and effect of significant matters affecting comparability of information for all periods presented?	_____	_____	_____
b. The amount of cost recognized during the period? [SFAS 87, par. 69 (AC P16.166)]	_____	_____	_____
c. If the situation arises where the withdrawal from a multiemployer plan may result in the employer having an obligation to the plan for a portion of its unfunded benefit obligations which is either probable or reasonable, have the provisions of SFAS 5 [AC C59] been applied? [SFAS 87, par. 70 (AC P16.167)]	_____	_____	_____
4. If there is a settlement and/or curtailment of a defined benefit pension plan and/or termination benefits under such a plan, do disclosures include:			
a. A description of the nature of the event(s)?	_____	_____	_____
b. The amount of gain or loss recognized? [SFAS 88, par. 17 (AC P16.187)]	_____	_____	_____
L. Postretirement Health Care and Life Insurance Benefits			
1. Do disclosures include:			
a. Description of benefits and employee groups covered?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. Description of accounting and funding policies?	_____	_____	_____
c. Cost of benefits recognized during the period?	_____	_____	_____
d. Effect of significant matters affecting the comparability of the costs recognized for all periods presented? [SFAS 81, par. 6 (AC P50.102)]	_____	_____	_____

M. Futures Contracts

1. If a futures contract is designated a hedge:			
a. Does the item to be hedged expose the enterprise to price (or interest rate) risk?	_____	_____	_____
b. Does the futures contract reduce the exposure to risk and is it designated as a hedge? [SFAS 80, par. 4 (AC F80.104 and .404)]	_____	_____	_____
2. If the futures contract hedges an anticipated transaction:			
a. Are the significant characteristics and expected terms of the anticipated transaction identified?	_____	_____	_____
b. Is it probable that the anticipated transaction will occur? [SFAS 80, par. 9 (AC F80.109)]	_____	_____	_____
3. If a futures contract is accounted for as a hedge, does the disclosure include:			
a. The nature of the assets, liabilities, firm commitments, or anticipated transactions that are hedged with futures contracts?	_____	_____	_____
b. The method of accounting for the futures contract including a description of the events or transactions that result in recognition in income of changes in value of the futures contracts? [SFAS 80, par. 12 (AC F80.112)]	_____	_____	_____

Yes No N/A

N. Other Matters

1. If required [SFAS 21 (AC S20)], does the financial statement presentation include segment information?
[SFAS 14 (AC S20); SFAS 24 (AC S20.109-.110); SFAS 30 (AC S20.145); and TBS 79-4, 79-5 and 79-8 (AC S20.501-.507)]

Statement of Financial Condition

A. Cash

1. If material, is the amount of certificates of deposit included in cash disclosed?
[A&AG, page 98]
2. Should compensating balance arrangements be disclosed?

B. Securities Purchased Under Agreements to Resell

1. Is the following end of period information disclosed:
 - a. A description of the securities underlying the agreements?
 - b. The cost of the agreements, including accrued interest?
 - c. The market value of the securities underlying any agreement if less than the cost of that agreement?
 - d. The maturity of the agreements?
 - e. The dollar amount of agreements to resell the same securities?
 - f. The dollar amount of agreements to resell substantially identical securities?
 - g. The dollar amount of assets at risk under agreements outstanding?
[SOP 86-1, par. 31]

2. Is the following additional information disclosed:

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
a. The maximum amount of outstanding agreements at any month-end during the period?	_____	_____	_____
b. The average amount of outstanding agreements for the period?	_____	_____	_____
c. A statement of whether the securities underlying the agreements were under the association's control? [SOP 86-1, par. 31]	_____	_____	_____
C. Investment Securities			
1. For securities not covered by SFAS 12 [AC I89]:			
a. Does the statement of financial condition show separate amounts for U.S. Treasury and other U.S. Government agencies; states and political subdivisions; and other securities? [A&AG, page 98]	_____	_____	_____
b. If material, is the amount of "federal funds" separately disclosed? [A&AG, page 21]	_____	_____	_____
c. Are securities recorded at cost?	_____	_____	_____
d. Are market values disclosed in the notes or on the face of the statement of financial condition? [A&AG, pages 20 and 98]	_____	_____	_____
e. Is the amount of pledged securities disclosed? [A&AG, page 20]	_____	_____	_____
f. For a permanent impairment, has the estimated loss been recognized by charging current operations and reducing the carrying amount of the investment? [A&AG, page 21]	_____	_____	_____
2. Are appropriate disclosures made for marketable equity securities? [SFAS 12, par. 12 (AC I89.106)]	_____	_____	_____
3. Is Federal Home Loan Mortgage Corporation Participating Preferred Stock reported at lower of cost or market, with declines reflected as a component in equity absent an intent to dispose of the stock, in conformance with SFAS 12 [AC I89]? [TB 85-1, par. 3 [Bt7.503)]	_____	_____	_____

Yes No N/A

D. Mortgage Loans and Mortgage-Backed Securities Held for Investment

1. Are mortgage loans and mortgage-backed securities held for investment reported separately in the statement of financial condition?
[SOP 86-1, par 31]
2. Is market value disclosed?
[SOP 86-1, par. 31]

E. Mortgage Loans and Mortgage-Backed Securities Held for Sale

1. Are mortgage loans and mortgage-backed securities held for sale reported separately in the statement of financial condition?
[SFAS 65, par. 28 (AC Mo4.129)]
2. Are mortgage loans and mortgage-backed securities reported at the lower of cost or market value?
[SFAS 65, par. 4 (AC Mo4.105)]
3. Is the method used in determining lower of cost or market value disclosed?
[SFAS 65, par. 29 (AC Mo4.130)]
4. If the right to service mortgage loans was acquired, is the following information disclosed:
 - a. The amount capitalized during the period in acquiring the right to service?
 - b. The method of amortizing the capitalized amount?
 - c. The amount of amortization for the period?
[SFAS 65, par. 30 (AC Mo4.131)]

F. Loans Receivable

1. Are components of the loan portfolio disclosed?
[A&AG, pages 105-106]
2. Are loans to related parties disclosed?
[SFAS 57, par. 2 (AC R36.102)]
3. For troubled debt restructurings are the following disclosed by major category of loans as of the date of each balance sheet presented:

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
a. The aggregate recorded investment?	_____	_____	_____
b. The gross interest income that would have been recorded if loans had been current per their original terms and had been outstanding throughout the period or since inception?	_____	_____	_____
c. The amount of interest income included in net income?	_____	_____	_____
d. The amounts of any commitments to lend additional funds to debtors owing re-structured troubled loans? [SFAS 15, pars. 40-41 (AC D22.136-.137); TBS 79-6 and 79-7 (AC D22.501-.505)]	_____	_____	_____
4. For loans sold with recourse are the following disclosures made:			
a. For each period for which an income statement is presented, the amount of proceeds?	_____	_____	_____
b. At the date of each balance sheet presented, the balance of sold receivables that remain uncollected? [SFAS 77, par. 9 (AC R20.109)]	_____	_____	_____
5. For real estate loans other than troubled debt restructurings:			
a. Are policies affecting evaluation of real estate loans disclosed? [A&AG, pages 39-40]	_____	_____	_____
b. If appropriate, is analysis of activity in the loss allowance account disclosed? [A&AG, page 41]	_____	_____	_____
6. If material, are total loan commitments disclosed? [A&AG, page 36]	_____	_____	_____
7. Are amounts for the following accounts shown separately and deducted from loans receivable:			
a. Undisbursed portion of mortgage loans? [A&AG, pages 36 and 106]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. Unamortized balance of unearned discounts on purchased loans? [SFAS 91, par. 21 (AC L20.120); A&AG, pages 63-64 and 106]	_____	_____	_____
c. Allowance for losses? [A&AG, pages 34 and 106]	_____	_____	_____
d. Unamortized balance of loan commitment and loan origination fees? [SFAS 91, pars. 21 and 65 (AC L20.120 and L20.124); A&AG, pages 74-75]	_____	_____	_____
8. Is the unamortized balance of premiums on purchased loans shown as part of the related loan balance? [SFAS 91, par. 21 (AC L20.120)]	_____	_____	_____
G. Real Estate Acquired in Settlement of Loans			
1. Is real estate acquired in settlement of loans shown separately on the statement of financial condition? [A&AG, page 98]	_____	_____	_____
2. Is such real estate stated at lower of fair value at acquisition date or net realizable value? [A&AG, page 105]	_____	_____	_____
3. Is allowance for losses (significant and permanent declines in value) shown separately and deducted from related real estate? [A&AG, pages 98 and 105]	_____	_____	_____
4. If appropriate, is activity in the loss allowance account disclosed? [A&AG, page 41]	_____	_____	_____
H. Real Estate Acquired for Sale or Development			
1. Is such real estate recorded at lower of cost or estimated net realizable value? [A&AG, page 42]	_____	_____	_____
2. Is the amount of capitalized interest cost disclosed? [SFAS 34, par. 21 (AC I67.118)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
3. Have ADC arrangements which do not have the characteristics of loans been appropriately classified as investments in joint ventures or investments in real estate? [NTP]	_____	_____	_____
I. Premises and Equipment			
1. Are fixed assets shown on the balance sheet net of accumulated depreciation? [A&AG, page 98]	_____	_____	_____
2. Is the carrying basis disclosed? [A&AG, page 98]	_____	_____	_____
3. Are the balances of major classes of depreciable assets disclosed? [APB 12, par. 5b (AC D40.105b)]	_____	_____	_____
4. Is accumulated depreciation, either by major classes of assets or in total, disclosed? [APB 12, par. 5c (AC D40.105c)]	_____	_____	_____
5. Are material commitments for property expenditures disclosed? [A&AG, page 46]	_____	_____	_____
6. Is the amount of capitalized interest cost disclosed? [SFAS 34, par. 21 (AC I67.118)]	_____	_____	_____
J. Federal Savings and Loan Insurance Corporation Secondary Reserve Prepayment			
1. Has the amount been written off? [AICPA Practice Bulletin 3]	_____	_____	_____
K. Federal Home Loan Bank Stock			
1. Is stock shown separately on the statement of financial condition at cost? [A&AG, page 98]	_____	_____	_____
2. If used as collateral for advances from the Federal Home Loan Bank, is this fact disclosed? [A&AG, page 107]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
L. Accrued Interest Receivable			
1. Consider showing separately on the statement of financial condition, if material? [A&AG, page 98]	_____	_____	_____
M. Other Assets			
1. For investments in common stock accounted for by the equity method, are appropriate disclosures made? [APB 18, par. 20 (AC I82.110)]	_____	_____	_____
2. Are investments in life insurance reported at amounts which can be realized as of the balance sheet date? [TB 85-4, par. 2 (I50.508)]	_____	_____	_____
3. For an unidentified intangible asset arising as a result of the fair value of liabilities assumed in a purchase method business combination exceeding fair value of tangible and identified intangible assets acquired from a combination initiated after September 30, 1982:			
a. Is the amortization period no greater than the estimated remaining life of long-term interest-bearing assets acquired? [SFAS 72, par. 4 (AC I60.131)]	_____	_____	_____
b. Is the interest method used as the amortization method?	_____	_____	_____
c. Is the interest method applied to outstanding balances of interest-bearing assets? [SFAS 72, par. 5 (I60.133)]	_____	_____	_____
d. Are method and period of amortization disclosed? [APB 17, par. 30 (AC I60.111)]	_____	_____	_____
N. Savings Accounts			
1. Is the composition of savings accounts by interest rates disclosed? [A&AG, pages 49 and 106]	_____	_____	_____

Yes No N/A

O. Advances From Federal Home Loan Bank

1. Do the notes to the financial statements disclose:

- | | | | |
|--|-------|-------|-------|
| a. Composition of advances by interest rates? | _____ | _____ | _____ |
| b. Amounts due within one year and amounts due after one year?
[A&AG, page 107] | _____ | _____ | _____ |
| c. Assets pledged as collateral?
[SFAS 5, par. 18 (C59.120); A&AG, page 107] | _____ | _____ | _____ |

P. Securities Sold Under Agreements to Repurchase

1. Is the following end of period information disclosed?

- | | | | |
|---|-------|-------|-------|
| a. A description of the securities underlying the agreements? | _____ | _____ | _____ |
| b. The book value, including accrued interest of the securities underlying the agreements? | _____ | _____ | _____ |
| c. The market value of the securities underlying the agreements? | _____ | _____ | _____ |
| d. The maturity of the agreements? | _____ | _____ | _____ |
| e. The weighted-average interest rate of the agreements? | _____ | _____ | _____ |
| f. The dollar amount of agreements to repurchase the same securities? | _____ | _____ | _____ |
| g. The dollar amount of agreements to repurchase substantially identical securities? | _____ | _____ | _____ |
| h. The dollar amount of assets at risk under agreements outstanding?
[SOP 86-1, par. 31] | _____ | _____ | _____ |

2. Is the following additional information disclosed:

- | | | | |
|---|-------|-------|-------|
| a. The maximum amount of outstanding agreements at any month-end during the period? | _____ | _____ | _____ |
| b. The average amount of outstanding agreements for the period? | _____ | _____ | _____ |

Yes No N/A

c. A statement of whether the securities underlying the agreements were under the association's control?

[SOP 86-1, par 31]

Q. Income Taxes (Assumes Adoption of FASB 96)

1. Have deferred tax assets been recognized for the net tax benefit of net deductible amounts that could be realized by loss carryback from future years:

a. To reduce a current deferred tax liability?

b. To reduce taxes paid in the current or a prior year?

[SFAS 96, par. 17e (AC I25.116e)]

2. Have deferred tax assets or liabilities been adjusted for the effect of a change in tax law or rates with the effect included in income from continuing operations for the period that includes the enactment date?

[SFAS 96, par. 20 (AC I25.119)]

3. Have deferred tax assets or liabilities attributable to different tax jurisdictions been presented separately and not offset?

[SFAS 96, par. 24 (AC I25.123)]

4. Have the types of temporary differences that give rise to significant portions of a deferred tax asset or liability been disclosed?

[SFAS 96, par. 24 (AC I25.123)]

5. Is the amount of a deferred tax asset or liability the net deferred tax consequence of:

a. Temporary differences that will result in net taxable or deductible amounts during the next year?

b. Temporary differences related to an asset or liability that is classified for financial reporting as current because of an operating cycle that is longer than one year?

c. Temporary differences for which there is no related identifiable asset or liability for

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
financial reporting (SFAS 96, par. 12 AC I25.111) whenever other related assets and liabilities are classified as current because of an operating cycle that is longer than one year? [SFAS 96, par. 24 (AC I25.123)]	_____	_____	_____
6. Have deferred tax liabilities been recognized for temporary differences that will result in net taxable amounts in future years? [SFAS 96, par. 17f-h (AC I25.116f-h)]	_____	_____	_____
7. For undistributed earnings of subsidiaries and/or corporate joint ventures, for which a deferred tax liability is not recognized; do the disclosures include:			
a. A description of the type of temporary differences?	_____	_____	_____
b. The type of events that would cause the temporary differences to become taxable?	_____	_____	_____
c. The cumulative amount of each type of temporary difference?	_____	_____	_____
d. The amount of the unrecognized deferred tax liability for unremitted earnings and the amount of withholding taxes that would be payable upon remittance of the earnings? [SFAS 96, par. 25 (AC I25.124)]	_____	_____	_____
R. Other Borrowed Money			
1. Is the subordinated debt classified as debt? [A&AG, page 62]	_____	_____	_____
2. If material, is the amount of mortgage-backed bonds shown separately on the statement of financial condition and are all significant terms disclosed in notes to financial statements?	_____	_____	_____
3. Is the combined aggregate amount of maturities and sinking fund requirements for all long-term borrowings disclosed for each of the five years following the date of the latest balance sheet presented? [SFAS 47, par. 10 (AC C32.105)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
4. Are conversion features appropriately accounted for and disclosed? [APB 14, pars. 12 & 16-18 (AC D10.103 and D10.105-.107); APB 15, par. 19 (AC E09.110)]	_____	_____	_____
5. Are assets pledged as collateral disclosed? [SFAS 5, par. 18 (C59.120); A&AG, page 107]	_____	_____	_____
6. For troubled debt restructuring occurring during the current period do disclosures include:			
a. Description of the principal changes in terms, the major features of settlement, or both?	_____	_____	_____
b. Aggregate gain on restructuring of payables and the related income tax effect?	_____	_____	_____
c. Aggregate net gain or loss on transfers of assets recognized during the period?	_____	_____	_____
d. Per share amount of the aggregate gain on restructuring of payables, net of related income tax effect? [SFAS 15, par. 25 (AC D22.121)]	_____	_____	_____
7. For periods after a troubled debt restructuring, do disclosures include:			
a. The extent to which amounts contingently payable are included in the carrying amount of restructured payables?	_____	_____	_____
b. Total amounts that are contingently payable, if applicable, and conditions under which those amounts would become payable or forgiven? [SFAS 15, par. 26 (AC D22.122)]	_____	_____	_____
8. Has debt, as required, been considered extinguished for financial reporting purposes because:			
a. The debtor is legally released from being the primary obligor and it is probable that the debtor will not be required to make future payments with respect to that debt under any guarantee?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. The debtor irrevocably places cash or other assets in a trust to be used solely for satisfying scheduled payments of both interest and principal of a specific obligation and the possibility that the debtor will be required to make future payments with respect to that debt is remote? [SFAS 76, par. 3 (AC D14.102A); TB 85-2 (AC C30)]	_____	_____	_____
9. If there is an extinguishment of debt (including prepayment of FHLB advances) is the difference between reacquisition price and carrying amount:			
a. Recognized currently in income? [APB 26, pars. 20-21 (AC D14.103-.104); TB 80-1, pars. 3-4 (AC D14.503-.504); SFAS 84, par. 5 (AC D14.101)]	_____	_____	_____
b. Identified as a separate or extraordinary item? [SFAS 4, par. 8 as amended by SFAS 64, par. 4 (AC D14.105)]	_____	_____	_____
10. Do disclosures for extinguishments of debt described in 9 above include:			
a. Description of the extinguishment transactions, including the source of any funds used to extinguish debt if it is practicable to identify the sources?	_____	_____	_____
b. Income tax effect in the period of extinguishment?	_____	_____	_____
c. The per share amount of the aggregate gain or loss net of related income tax effect? [SFAS 4, par. 9 (AC D14.107)]	_____	_____	_____
11. If debt is considered to be extinguished in conformity with SFAS 76, paragraph 3c, does the disclosure include:			
a. A general description of the transaction?	_____	_____	_____
b. The amount of debt that is considered extinguished as long as the debt remains outstanding? [SFAS 76, par. 6 (AC D14.108)]	_____	_____	_____

Yes No N/A

S. Lessee Leases

1. For capital leases do disclosures include:

a. Gross amounts of assets recorded by major classes as of the date of each balance sheet presented?

[SFAS 13, par. 16a (AC L10.112a(1)-(4))]

b. Future minimum lease payments as of the latest balance sheet presented in the aggregate, and for each of the five succeeding fiscal years with appropriate separate deductions therefrom for costs and imputed interest to reduce net minimum lease payments to present value?

[SFAS 13, pars. 10 & 16a (AC L10.106 and .112a(1)-(4))]

c. The total of future minimum sublease rentals under noncancelable subleases as of the date of the latest balance sheet presented?

[SFAS 13, par. 16a (AC L10.112a(1)-(4))]

d. Total contingent rentals actually incurred for each period for which an income statement is presented?

[SFAS 13, par. 16a (AC L10.112a(1)-(4)) amended 10/1/79 by SFAS 29, par. 12]

e. Separate identification of:

(1) Assets recorded under capital leases?

(2) Accumulated amortization of capital leases?

(3) Obligations under capital leases?

(4) Amount of amortization of capital lease assets or the fact that the amortization of capital lease assets is included in depreciation expense?

[SFAS 13, par. 13 (AC L10.112a(5))]

2. For operating leases that have initial or remaining noncancelable lease terms in excess of one year do disclosures include:

a. Future minimum rental payments required as

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
of the latest balance sheet presented in the aggregate and for each of the five succeeding fiscal years?	_____	_____	_____
b. The total of future minimum rentals under noncancelable sublease as of the date of the latest balance sheet presented? [SFAS 13, par. 16b (AC L10.112b)]	_____	_____	_____
3. For all operating leases do disclosures include: rental expense for each period for which an income statement is presented with separate amounts for minimum rentals, contingent rentals, and sublease rentals? [SFAS 13, par. 16c (AC L10.112c)]	_____	_____	_____
4. Do disclosures include a general description of the lessee's leasing arrangements, including but not limited to:			
a. Basis for determination of contingent rentals?	_____	_____	_____
b. Terms of any renewal or purchase options or escalation clauses?	_____	_____	_____
c. Restrictive covenants? [SFAS 13, par. 16d (AC L10.112d); For amendments of SFAS 13 see SFASs 17, 22, 23, 27, 28, 29, 76, 77 91, 94, 96 and 98; for interpretations see FASBIs 19, 21, 23, 24, 26 and 27; for technical bulletins see TBs 79-10, 79-12, 79-13, 79-14, 79-15, 79-16(r), 85-3 and 86-2]	_____	_____	_____
T. Advances From Borrowers for Taxes and Insurance			
1. Is the amount shown separately on the statement of financial condition? [A&AG, page 99]	_____	_____	_____
2. If required to establish special funds, are the special funds and related liability separately disclosed? [A&AG, pages 53-54]	_____	_____	_____
U. Federal Income Taxes			
1. Is the amount shown separately on the statement of financial condition? [A&AG, page 99]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
V. Other Liabilities			
1. Are short sale proceeds reported as a liability? [A&AG, page 22]	_____	_____	_____
2. For loans transferred with recourse which are not reported as sales, is the amount of proceeds from the transfer reported as a liability? [SFAS 77, par. 8 (AC R20.109)]	_____	_____	_____
3. Are liabilities appropriately accrued and reported for employees' compensation for future absences? [SFAS 43, par. 6 (AC C44.104)]	_____	_____	_____
4. Are liabilities for special termination benefits to employees appropriately accrued and reported when the employees accept the offer and the amount can be reasonably determined? [SFAS 88, par. 15 (P16.185)]	_____	_____	_____
W. Capital Stock			
1. For each class of stock do disclosures include the number of shares authorized, issued and outstanding, and par or stated value per share? [APB Statement 4, par. 199, R-9A]	_____	_____	_____
2. Do the financial statements include a description, in summary form, sufficient to explain the pertinent rights and privileges of the various securities outstanding, for example: dividend and liquidation preferences, participation rights, call prices and dates, conversion or exercise prices or rates and pertinent dates, sinking fund requirements, unusual voting rights? [APB 15, par. 19 (AC E09.110)]	_____	_____	_____
3. Are the amounts of redemption requirements for all issues of capital stock that are redeemable at fixed or determinable dates disclosed for each of the five years following the date of the latest balance sheet presented? [SFAS 47, par. 10 (AC C32.105)]	_____	_____	_____
4. Are liquidation preferences of preferred stock issues disclosed in the equity section of the balance sheet in the aggregate? [APB 10, par. 10 (AC C16.101)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
5. For preferred stock do disclosures include:			
a. The aggregate or per share amounts at which shares may be called or are subject to redemption?	_____	_____	_____
b. The aggregate and per share amounts of arrearages in cumulative preferred dividends? [APB 10, par. 11 (AC C16.102)]	_____	_____	_____
6. For stock option and stock purchase plans, do disclosures include:			
a. The number of shares under option?	_____	_____	_____
b. The option price?	_____	_____	_____
c. The number of shares as to which options are exercisable?	_____	_____	_____
d. For shares exercised, the number of shares exercised and option price? [ARB 43, Ch. 13B, par. 15 (AC C47.123); FASBI 28 (AC C47.119-.122 and .138-.146); TB 82-2, pars. 10-12 (AC C47.513-.515); FASBI 38 (AC C47.135A-.135E)]	_____	_____	_____
X. Additional Paid-in Capital			
1. Is the amount shown separately on the statement of financial condition? [A&AG, page 99]	_____	_____	_____
Y. Retained Earnings			
1. Is retained earnings shown separately on the statement of financial condition? [A&AG, pages 64 and 99]	_____	_____	_____
2. Are significant restrictions on the use of retained earnings for payment of dividends disclosed? [SFAS 5, par. 18 (AC C59.120); A&AG, page 65]	_____	_____	_____
3. If significant restrictions exist, does the caption for retained earnings indicate that retained earnings are "substantially restricted"? [A&AG, pages 65 and 99]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
4. Are any appropriations of retained earnings for loss contingencies and general reserves clearly identified and included in stockholders' equity? [SFAS 5, par. 15 (AC C59.117); A&AG, pages 65-66 and 107-108]	_____	_____	_____
5. After completion of a quasi-reorganization, is a new retained earnings account established and dated with the date being disclosed in subsequent financial statements until it is no longer deemed significant? [ARB 43, Ch. 7A, par. 10 (AC Q15.111); ARB 46 (AC Q15.111)]	_____	_____	_____
Z. Other Stockholders' Equity Accounts			
1. Are cumulative translation adjustments separately disclosed? [SFAS 52, par. 31 (AC F60.141)]	_____	_____	_____
2. For treasury shares purchased at a stated price significantly in excess of current market price, is the allocation of amounts paid and the accounting treatment for such amounts disclosed? [TB 85-6, par. 3 (C23.501-.503)]	_____	_____	_____
3. Is the valuation allowance for marketable equity securities separately disclosed? [SFAS 12 par. 11 (I89-104) A&AG, page 99]	_____	_____	_____
Statement of Operations			
A. Interest on Loans			
1. Is interest on loans shown separately on the statement of operations? [A&AG, page 100]	_____	_____	_____
2. Has interest income been reported on a consistent basis? [A&AG, page 33]	_____	_____	_____
3. If it is probable that interest on delinquent loans will not be received, has accrual of such interest been discontinued? [A&AG, page 33]	_____	_____	_____
4. Is amortization of deferred loan origination,			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
commitment, and other fees and costs recognized as an adjustment of yield, reported as interest income? [SFAS 91, par. 22 (AC L20.121)]	_____	_____	_____
5. Except as specified in SFAS 91, paragraph 20, [AC L20.119], is the interest method used as the method of amortization? [SFAS 91, par. 18 (AC L20.117)]	_____	_____	_____
B. Loan Fees			
1. Is amortization of loan fees being amortized on the straight-line basis over the commitment period or included in income when the commitment expires, reported as service fee income? [SFAS 91, par. 22 (AC L20.121)]	_____	_____	_____
C. Interest/Dividends on Investments			
1. Is the amount for investment income shown separately on the statement of operations? [A&AG, page 100]	_____	_____	_____
D. Gain/Loss on Sales of Investments			
1. Is the amount shown separately on the statement of operations? [A&AG, page 100]	_____	_____	_____
2. If the market value of securities required to complete a short sale is greater than the short sale proceeds, has a loss been recorded? [A&AG, page 22]	_____	_____	_____
E. Gain/Loss on Sales of Loans			
1. Are material gains/losses on loans sold with recourse separately disclosed? [SFAS 77, pars. 9 and 39b (AC R20.109b)]	_____	_____	_____
F. Gain/Loss on Pension Plan Settlements or Curtailments or Termination Benefits			
1. Are such gains (losses) disclosed? [SFAS 88, par. 17 (AC P16.187)]	_____	_____	_____
G. Interest on Savings Accounts			
1. Is the amount shown separately on the statement			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
of operations? [A&AG, page 100]	_____	_____	_____
2. Is the interest penalty for early withdrawals reported as a reduction of interest expense in the period that the penalty is assessed? [A&AG, page 51]	_____	_____	_____
H. Interest on Advances and Other Borrowings			
1. Is the amount shown separately on the statement of operations? [A&AG, page 100]	_____	_____	_____
I. Interest Capitalized			
1. Is the amount shown separately on the statement of operations as a reduction of interest expense? [SFAS 34, par. 21 (AC I67.118); A&AG, page 100]	_____	_____	_____
J. General and Administrative Expenses			
1. Salaries			
a. If there is a compensatory stock issuance plan:			
(1). Is compensation expense accrued in the proper periods? [APB 25, pars. 12-15 (AC C47.112-.115); FASBI 38, pars. 2-6 (AC C47.135A-.135E)]	_____	_____	_____
(2). Are deferred income taxes recorded to recognize temporary differences between accrual of compensation expense and deduction for income tax purposes? [APB 25, par. 16-18 (AC C47.116-.118); TB 82-2, pars. 8 & 13 (AC C47.511 and .516)]	_____	_____	_____
(3). Are disclosures adequate? [ARB 43, Ch. 13B, par. 15 (AC C47.123)]	_____	_____	_____
b. For deferred compensation agreements, are estimated amounts to be paid properly accrued? [APB 12, par. 6-7 (AC C38.101-.102)]	_____	_____	_____
2. Employee Benefits			
a. Is the amount of net periodic pension costs			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
and its components disclosed? [SFAS 87, par. 54b (AC P16.150b)]	_____	_____	_____
b. Is the cost of postretirement health care and life insurance benefits disclosed? [SFAS 81, par. 6c (AC P50.102c)]	_____	_____	_____
3. Operating Leases			
a. Is rental expense for each period for which an income statement is presented with separate amounts for minimum rentals, contingent rentals, and sublease rentals disclosed? [SFAS 13, par. 16c (AC L10.112c)]	_____	_____	_____
K. Loss Provisions and Expenses of Loans and Real Estate Owned			
1. Is the amount shown separately on the statement of operations? [A&AG, page 100]	_____	_____	_____
2. Is the policy for providing valuation allowances for estimated losses on loans and real estate disclosed? [A&AG, page 105]	_____	_____	_____
L. Other Expenses			
1. Is depreciation expense for the period(s) disclosed accompanied by a general description of the method(s) used to compute depreciation for the major classes of depreciable assets? [APB 12, par. 5 (AC D40.105)]	_____	_____	_____
M. Income Taxes			
1. Has the fact that the entity is a public enter- prise that is not subject to income taxes be- cause its income is taxed directly to its owners and the net difference between the tax bases and the reported amounts of the enterprises assets and liabilities been disclosed? [SFAS 96, par. 24 (AC I25.123)]	_____	_____	_____
2. Has the amount of income tax expense or benefit been allocated to:			
a. Continuing operations?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. Discontinued operations?	_____	_____	_____
c. Extraordinary items?	_____	_____	_____
d. Cumulative effect of accounting changes?	_____	_____	_____
e. Prior period adjustments?	_____	_____	_____
f. Gains and losses included in comprehensive income but excluded from net income?	_____	_____	_____
g. Capital transactions? [SFAS 96, par. 26 (AC I25.125)]	_____	_____	_____
3. Have the following significant components of income tax expense attributable to continuing operations for each year presented been disclosed in the financial statements or notes thereto:			
a. Current tax expense or benefit?	_____	_____	_____
b. Deferred tax expense or benefit exclusive of (f) below?	_____	_____	_____
c. Investment tax credits?	_____	_____	_____
d. Government grants (to the extent recognized as a reduction of income tax expense)?	_____	_____	_____
e. The benefits of operating loss carryforwards?	_____	_____	_____
f. Adjustments of a deferred tax liability or asset for enacted changes in tax laws or rates or a change in the tax status of the enterprise? [SFAS 96, par. 27 (AC I25.126)]	_____	_____	_____
4. Do disclosures regarding income tax expense attributable to continuing operations include:			
a. A reconciliation (using percentages or dollar amounts to the amount of income tax expense that would result from applying domestic federal statutory tax rates to pretax income from continuing operations?	_____	_____	_____
b. The estimated amount and the nature of each significant item? [SFAS 96, pars. 28 (AC I25.127)]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
5. Have the amounts and expiration dates (or a reasonable aggregation of expiration dates) of operating loss and tax credit carryforwards for financial reporting (that is, amounts not already recognized as reductions of a deferred tax liability) and for tax purposes (that is, amounts available to reduce taxes payable on tax returns in future years) been disclosed? [APB 2, par. 16, SFAS 96, par. 29 (AC I25.128 and .187)]	_____	_____	_____
6. Do the disclosures for investment tax credits include the method followed (flow-through or deferral) and the amounts involved? [APB 4, par. 11 (AC I25.186)]	_____	_____	_____
7. If part of a group that files a consolidated tax return, have the following items been disclosed in its separately issued financial statements:			
a. The amount of current and deferred tax expense for each income statement presented and the amount of any tax-related balances due to or from affiliates as of the date of each balance sheet presented?	_____	_____	_____
b. The principal provisions of the method by which the consolidated amount of current and deferred tax expense is allocated to members of the group and the nature and effect of any changes in that method (and in determining related balances to or from affiliates) during the years for which the disclosures in (a) above are presented? [SFAS 96, par. 30 (AC I25.129)]	_____	_____	_____
8. For the earliest year restated or for the year SFAS 96 is first adopted if no prior year is restated, has the effect of applying SFAS 96 on the amount of deferred tax charges or credits at the beginning of the fiscal year been reported as the effect of a change in accounting principle in a manner similar to the cumulative effect of a change in accounting principles as described in paragraph 20 of APB Opinion No. 20, Accounting Changes, except for any effects of the type required by SFAS 96 to be excluded from net income? [SFAS 96, par. 33]	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
9. When initially presented, have the financial statements for the year SFAS 96 is first adopted disclose the following:			
a. The effect of adopting SFAS 96 on income from continuing operations, income before extraordinary items, and on net income for the year of adoption if restated financial statements for the prior year are not presented?	_____	_____	_____
b. The effect of any restatement on income from continuing operations, income before extraordinary items, and on net income for each year presented? [SFAS 96, par. 34]	_____	_____	_____
10. Is the accumulated amount of bad debt reserves for which income taxes have not been accrued disclosed? [SFAS 96, par. 25 (AC I25.124 and .177-.181)]	_____	_____	_____

N. Discontinued Operations

1. Are operations of a segment that has been discontinued or are the subject of a formal plan for disposition:			
a. Reported separately from income from continuing operations and as a component (including applicable income taxes) of income before extraordinary items? [APB 30, pars. 8 & 13-18 (AC I13.101-.103, .105-.106 and .108-.109)]	_____	_____	_____
b. Accompanied by disclosure in the notes of revenue applicable to the discontinued operations? [APB 30, par. 8 (AC I13.105)]	_____	_____	_____
2. Is the gain or loss from disposal of a discontinued segment reported separately (including applicable income taxes) in conjunction with results of discontinued operations as a component of income before extraordinary items? [APB 30, pars. 8 & 13-18 (AC I13.101-.103, .105-.106 and .108 and .109)]	_____	_____	_____
3. If the entity sells part of its ownership interest in a foreign entity, is a pro rata			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
portion of the accumulated translation adjustment component of equity attributable to that investment recognized in measuring the gain or loss on the sale? [FASBI 37, par. 2 (AC F60.120)]	_____	_____	_____
4. For the period encompassing the measurement date, do the notes to financial statements disclose:			
a. The identity of the segment discontinued?	_____	_____	_____
b. The expected disposal date, if known?	_____	_____	_____
c. The expected manner of disposal?	_____	_____	_____
d. The description of the remaining assets and liabilities of the discontinued segment at the balance sheet date?	_____	_____	_____
e. The income or loss from operations and any proceeds from disposal, do notes to the financial statements disclosed the information required? [APB 30, par. 18 (AC I13.108.109)]	_____	_____	_____
5. For periods after the measurement date and including the period of disposal, do notes to the financial statements disclose the information required? [APB 30, par. 18 (AC I13.108-.109)]	_____	_____	_____
O. Extraordinary Items			
1. Do extraordinary items meet both criteria of (1) an unusual nature, and (2) infrequency of occurrence? [APB 30, pars. 19-24 (AC I17.106-.111 and .118)]	_____	_____	_____
2. Are extraordinary items segregated and shown (including applicable income taxes) following income before extraordinary items and before net income? [APB 30, prs. 10-12 (AC I17.102-.103)]	_____	_____	_____
3. Are descriptive captions and amounts (including applicable income taxes) presented for individual extraordinary events or transaction(s) and the principal items entering into determination			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
of extraordinary gain(s) or loss(es)? [APB 30, par. 11 (AC I17.102)]	_____	_____	_____
4. Do disclosures include descriptions of an extraordinary event(s) or transaction(s) and the principal items entering into determination of extraordinary gains(s) or loss(es)? [APB 30, par. 11 (AC I17.102)]	_____	_____	_____
5. Are material events or transactions that are either unusual in nature, or of infrequent occurrence but not both (and therefore not meeting criteria for extraordinary items):			
a. Reported as a separate component of income from continuing operations?	_____	_____	_____
b. Accompanied by disclosure of the nature and financial effects of each event? [APB 30, par. 26 (AC I22.101); TB 82-1, par. 6 (AC I25.505)]	_____	_____	_____
6. For gains or losses from extinguishment of debt classified as extraordinary items, do disclosures include:			
a. A description of the extinguishment transactions, including the sources of any funds used to extinguish the debt if it is practicable to identify the sources?	_____	_____	_____
b. The income tax effect in the period of extinguishment?	_____	_____	_____
c. The per share amount of the aggregate gain or loss net of related income tax effect? [SFAS 4, par. 9 (AC I17.104)]	_____	_____	_____

P. Other

1. Are the following excluded from determination of net income or results of operations under all circumstances:			
a. Adjustments or charges or credits resulting from transactions in the company's own capital stock?	_____	_____	_____
b. Transfers to and from accounts properly designated as appropriated retained earnings?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
c. Adjustments made pursuant to a quasi-organization? [APB 9, par. 28 (AC C08.101)]	_____	_____	_____
2. Is earnings per share information presented on the face of the statement of operations accompanied by appropriate disclosure that includes the basis of the calculation? [APB 15, (AC E09); APB 20, pars. 19c, 33, 35 & 37 (AC A06.115c, and .132, A35.105 and .113); APB 30, pars. 9 & 12 (AC E09.104, I13.107 and I17.103); FASBI 31 (AC E09.128-.131 and .169-.176); FASBI 38, par. 7 (AC E09.130A); SFAS 85, par. 3 (AC E09.123A)]	_____	_____	_____
Statement of Changes in Stockholders' Equity			
A. Are changes in the separate component accounts of stockholders' equity disclosed? [APB 12, par. 10 (AC C08.102)]	_____	_____	_____
B. Are changes in the number of shares of equity securities disclosed? [APB 12, par. 10 (AC C08.102)]	_____	_____	_____
C. Are prior period adjustments limited to:			
1. Correction of an error(s) in financial statements of prior periods? [SFAS 16, par. 11 (AC A35.103)]	_____	_____	_____
2. Adjustments resulting from realization of income tax benefits of pre-acquisition operating loss or tax credit carryforwards of purchased subsidiaries? [SFAS 96, par. 23 (AC I25.122)]	_____	_____	_____
D. Are prior period adjustments and their resulting effects (both gross and net of applicable income taxes) appropriately disclosed? [APB 9, par. 26 (AC A35.107)]	_____	_____	_____
E. For a correction of an error are the following disclosed in the period in which the error was discovered and corrected:			
1. Nature of the error in previously issued financial statements?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
2. Effect of its correction on income before extraordinary items, net income, and related per share amounts (if applicable)? [APB 20, par. 37 (AC A35.105)]	_____	_____	_____
F. If appropriate or required, is a regulatory reserve account analysis presented in the statement of retained earnings or stockholders' equity? [A&AG, pages 64-65]	_____	_____	_____
Statement of Cash Flows			
A. Is a statement of cash flows presented as a basic financial statement for each period for which a statement of income is presented? [SFAS 95, par. 3 AC C25.101)]	_____	_____	_____
B. Are cash receipts and cash payments from operating activities shown separately on statement of cash flows? [SFAS 95, pars. 27-28 (AC C25.125-.126)]	_____	_____	_____
C. Are cash receipts and cash payments for the following transactions classified as cash flows from operating activities:			
1. Interest received on loans?	_____	_____	_____
2. Insurance proceeds except those directly related to investing or financing activities?	_____	_____	_____
3. Interest paid to creditors?	_____	_____	_____
4. Payments to suppliers and employees?	_____	_____	_____
5. Payments to governments for taxes, duties, fines, and other fees or penalties?	_____	_____	_____
6. Payments to settle lawsuits?	_____	_____	_____
7. Contributions to charities? [SFAS 95, pars. 22-23 (AC C25.120-.121)]	_____	_____	_____
D. Are cash receipts and cash payments from investing activities shown separately on statement of cash flows? [SFAS 95, par. 31 (AC C25.128)]	_____	_____	_____
E. Are cash receipts and cash payments for the following transactions classified as cash flows from investing activities:			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
1. Receipts from collections or sales of loans?	_____	_____	_____
2. Receipts from sales of property or investments?	_____	_____	_____
3. Loans to another entity?	_____	_____	_____
4. Payments to acquire property or investments? [SFAS 95, pars. 16-17 (AC C25.114-.115)]	_____	_____	_____
F. Are cash receipts and cash payments from financing activities shown separately on statement of cash flows? [SFAS 95, par. 31 (AC C25.129)]	_____	_____	_____
G. Are cash receipts and cash payments for the following transactions classified as cash flows from financing activities:			
1. Proceeds from issuing debt or capital stock?	_____	_____	_____
2. Repayment of amounts borrowed?	_____	_____	_____
3. Dividend payments to shareholders?	_____	_____	_____
4. Acquisition of treasury stock? [SFAS 95, pars. 19-20 (AC C25.117-.118)]	_____	_____	_____
H. If applicable, is the effect of exchange rate change on cash balances held in foreign currencies shown separately on statement of cash flows? [SFAS 95, par. 25 (AC C25.123)]	_____	_____	_____
I. Does statement of cash flows explain the effect of cash flows by showing change in cash and cash equivalents? [SFAS 95, par. 7 (AC C25.105)]	_____	_____	_____
J. Is policy for defining what is a cash equivalent disclosed? [SFAS 95, par. 10 (AC C25.108)]	_____	_____	_____
K. Is a reconciliation of net income to net cash flow from operating activities presented either within the statement of cash flows or in a separate schedule? [SFAS 95, par. 29-30 (AC C25.127-.128)]	_____	_____	_____
L. Are noncash investing and financing activities (i.e., converting debt to equity) summarized in a separate schedule? [SFAS 95, par. 32 (AC C25.134)]	_____	_____	_____

Supplemental Disclosure Checklist for Savings and Loan Associations That Are SEC Registrants

This Supplemental Disclosure Checklist for Savings and Loan Associations contains additional disclosures required in financial statements of publicly owned Associations filed with the Federal Home Loan Bank Board (FHLBB) under the Securities Exchange Act of 1934. Many of the disclosures are routinely made by associations not covered by this act. References in this supplement, unless otherwise stated, are from Section 563C.102 of Rules and Regulations issued by the FHLBB.

Checklist Questionnaire

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
A. Business Combinations			
1. For significant acquisitions (acquired assets exceed 10 percent of consolidated assets), are aggregate interest-bearing assets and liabilities recorded at fair market value?	_____	_____	_____
2. Are related discounts or premiums described and the following information disclosed in the period in which the acquisition occurs:			
a. Amounts of discounts or premiums?	_____	_____	_____
b. Method of amortization or accretion?	_____	_____	_____
c. Estimated remaining lives?	_____	_____	_____
d. Effect on income before taxes of amortization and accretion of discounts, premiums, and intangible assets?	_____	_____	_____
B. Cash and Amounts Due From Depository Institutions			
1. Are noninterest-bearing deposits with depository institutions included?	_____	_____	_____
2. Have any withdrawal and usage restrictions or compensating balance requirements been disclosed?	_____	_____	_____
3. If an association is not in compliance with compensating balance requirements:			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
a. Is this fact disclosed?	_____	_____	_____
b. Are possible or pending material sanctions for noncompliance disclosed? [SEC-FRR 203.02b]	_____	_____	_____
4. Are outstanding checks in excess of demand deposit account balances excluded and shown as a liability?	_____	_____	_____
5. Are interest-bearing deposits in other banks shown separately on the statement of financial condition?	_____	_____	_____
C. Trading Account Assets			
1. Is the amount shown separately on the statement of financial condition?	_____	_____	_____
D. Loans Receivable			
1. Are separate amounts disclosed for the following categories:			
a. Real estate mortgage?	_____	_____	_____
b. Real estate construction?	_____	_____	_____
c. Installment?	_____	_____	_____
d. Commercial, financial, and agricultural?	_____	_____	_____
e. Any other loan category indicative or unusual risk concentration?	_____	_____	_____
2. If more appropriate, have other categories been used?			
3. Is unearned income on installment loans, and unamortized discounts on purchased loans shown separately and deducted from total loans?	_____	_____	_____
4. Are total dollar amounts of loans being serviced for the benefit of other disclosed for each period for which a statement of operations is presented?	_____	_____	_____
5. If loans to related parties exceed 5 percent of stockholder's equity, is an analysis of activity presented for the latest fiscal year?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
6. For each period for which a statement of operations is presented, do notes to financial statements include a schedule of changes in allowance for loan losses showing beginning and ending balances, provision charged to income, recoveries of amounts previously charged off, and losses charged to the allowance?	_____	_____	_____
E. Real Estate Owned			
1. Are amounts disclosed for:			
a. Real estate acquired by foreclosure?	_____	_____	_____
b. Real estate in judgement and subject to redemption?	_____	_____	_____
c. Real estate acquired for development or resale?	_____	_____	_____
2. Are accumulated depreciation or valuation allowances for each category of real estate shown separately?	_____	_____	_____
3. Are policies regarding, and amounts of, capitalized costs disclosed?	_____	_____	_____
4. For each period for which a statement of operations is presented, do notes to financial statements include a schedule of changes to the allowance for losses on real estate owned?	_____	_____	_____
F. Investments in Joint Ventures			
1. Are summarized aggregate financial statements presented, in the notes for those joint ventures which individually:			
a. Are 20 percent or more owned?			
or	_____	_____	_____
b. Have liabilities, including contingent liabilities, to the parent company exceeding 10 percent of the parent's net worth?	_____	_____	_____
2. If an allowance for real estate losses, subsequent to acquisition, is maintained, in the amount disclosed and deducted from other real estate owned?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
a. Are appropriate details disclosed?	_____	_____	_____
G. Other Assets			
1. For accrued interest receivable, are amounts relating to loans and to investments stated separately?	_____	_____	_____
2. For equity method investments, is indebtedness of investees disclosed?	_____	_____	_____
3. For investments, other than equity method investments, are the amount and basis for determining carrying amount disclosed?	_____	_____	_____
H. Savings Accounts			
1. Are amounts disclosed separately for the following categories?			
a. NOW accounts and MMDA deposits?	_____	_____	_____
b. Savings deposits?	_____	_____	_____
c. Time deposits?	_____	_____	_____
I. Borrowed Funds			
1. Are the amount and terms of unused lines of credit for short-term financing disclosed?	_____	_____	_____
a. Is the amount of lines of credit supporting commercial paper shown separately?	_____	_____	_____
2. For bonds, mortgages, and similar debt is the following disclosed:			
a. Interest rate?	_____	_____	_____
b. Maturity date?	_____	_____	_____
c. Existence of contingency as to payment of principal and interest?	_____	_____	_____
d. Priority?	_____	_____	_____
e. Conversion basis?	_____	_____	_____
f. Amount and terms of unused commitments for long-term financing arrangements?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
3. Is the amount of each issue of debt of consolidated subsidiaries which has not been assumed or guaranteed by the parent disclosed?	_____	_____	_____
J. Deferred Credits			
1. Are deferred credits which exceed 30 percent of stockholders' equity shown separately on the statement of financial condition?	_____	_____	_____
K. Other Liabilities			
1. Are other liabilities which individually exceed 30 percent of stockholders equity disclosed?	_____	_____	_____
L. Stockholders' Equity			
1. For preferred stock subject to mandatory redemption requirements:			
a. Are carrying amount and redemption amount shown on the statement of financial condition?	_____	_____	_____
b. If carrying and redemption amounts differ, is the accounting treatment for the difference disclosed?	_____	_____	_____
2. If common stock is convertible, is this fact disclosed on the face of the statement of financial condition?	_____	_____	_____
3. Does the statement of financial condition show separate captions for:			
a. Additional paid-in capital?	_____	_____	_____
b. Other additional capital?	_____	_____	_____
c. Restricted retained earnings?	_____	_____	_____
d. Unrestricted retained earnings?	_____	_____	_____
4. Is the following information disclosed for regulatory capital requirements?			
a. The Association is or is not in compliance?	_____	_____	_____
b. Amount?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
c. The amount by which the Association exceeds or fails to meet requirements?	_____	_____	_____
M. Interest Income			
1. Does the statement of operations show separately:			
a. Interest and fees on loans?	_____	_____	_____
b. Interest and dividends on investment securities?	_____	_____	_____
c. Trading account interest?	_____	_____	_____
d. Other interest income?	_____	_____	_____
2. Is net interest income disclosed separately in the statement of operations?	_____	_____	_____
N. Gain/Loss on Sales of Investments			
1. Is the method of determining cost disclosed?	_____	_____	_____
2. Are related income taxes disclosed?	_____	_____	_____
O. Other Income			
1. If the amount exceeds 1 percent of the aggregate of total interest income and other income, does the statement of operations show separately:			
a. Fiduciary fees?	_____	_____	_____
b. Other customer fees?	_____	_____	_____
c. Insurance commissions?	_____	_____	_____
d. Profit or loss on transactions in investment securities?	_____	_____	_____
e. Equity in earnings of investees?	_____	_____	_____
f. Gains or losses on disposition of investments in subsidiaries and 50 percent or less-owned persons?	_____	_____	_____
g. Profit or loss from real estate operations?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
P. Interest Expense			
1. Does the statement of operations show separately:			
a. Interest on deposits?	_____	_____	_____
b. Interest on short-term borrowings?	_____	_____	_____
c. Interest on long-term borrowings?	_____	_____	_____
2. For interest on deposits:			
a. Are separate amounts disclosed for NOW accounts and MMDA deposits; savings deposits; time deposits?	_____	_____	_____
b. If material, are early withdrawal penalties shown separately on the statement of operations?	_____	_____	_____
Q. Other Expenses			
1. If the amount exceeds 1 percent of the aggregate of total interest income and other income, does the statement of operations show separately:			
a. Salaries and employee benefits?	_____	_____	_____
b. Net occupancy expense of premises?	_____	_____	_____
c. Net cost of operations of other real estate?	_____	_____	_____
d. Minority interest in income of consolidated subsidiaries?	_____	_____	_____
e. Goodwill amortization?	_____	_____	_____
R. Unusual or Infrequently Occurring Items			
1. Does the statement of operations show separately:			
a. Gain or loss from sale of premises and equipment?	_____	_____	_____
b. Provision for loss on real estate owned?	_____	_____	_____
c. Provision for gain or loss on sale of loans?	_____	_____	_____

Yes No N/A

S. Income Taxes

1. Do disclosures regarding income taxes include:

- a. The nature and tax effect of selected timing differences?
- b. A reconciliation of the reported income tax expense with the "computed expected" tax amount? (The "computed expected" tax amount is defined as the amount determined by multiplying the financial statement income before income tax by the applicable statutory federal income tax rate. The reconciliation may be presented in percentages, in dollar amounts, or both.)
- c. Domestic and foreign components of income taxes?

_____	_____	_____
_____	_____	_____
_____	_____	_____

T. Net Worth Certificate Act

1. For associations receiving capital assistance under the Net Worth Certificate Act:

- a. Do notes to financial statements include a note entitled Required Regulatory Financial Information?
- b. Do notes disclose amounts for the following nonoperating income and expense categories:
 - (1). Profit (loss) on sales of real estate owned?
 - (2). Profit (loss) on sale of investment securities?
 - (3). Profit (loss) on sale of loans?
 - (4). Profit (loss) on sale of other assets?
 - (5). Miscellaneous nonoperating income?
 - (6). Other nonoperating expenses?
 - (7). Federal, state, local, and other income taxes?

_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Yes No N/A

- (8). Other state and local taxes based upon the amount of deposits held by the institution or the interest paid on such deposits?

c. Do notes contain reconciliation for:

- (1). Total assets per the audited financial statements to total assets per the latest "Semiannual Financial Report"?

- (2). Net worth per the audited financial statements to net worth per the latest "Semiannual Financial Report"?

- (3). Net income per the audited financial statements with combined net income per the "Semiannual Financial Reports" for the year?

- (4). Net income per the audited financial statements adjusted by nonoperating income or expense categories mentioned above with combined net operating income per the "Semiannual Financial Reports" for the year?

[Bulletin PA- 7a -1]

U. Reconciliation of Net Worth

1. If net worth or net income per GAAP differs from the amount shown in the "Monthly Report" to the FHLBB, is reconciliation included in the notes or a statement made that there are no differences?

[Bulletin PA - 7a]

V. Internal Control Report

1. Does the report explain material exceptions to confirmations of loans and savings accounts which were not satisfactorily reconciled?

2. Does the report explain material exceptions noted in loan documents examined or missing from files which were not satisfactorily resolved?

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
3. Does the audit report refer to the internal control report? [Bulletin PA - 7a]	_____	_____	_____

Illustrative Stock Savings and Loan Association Financial Statements

(The following report of the independent CPA and financial statements illustrates one form of currently acceptable practice. The CPA should be guided by existing auditing standards concerning the report. Other forms of financial statements are acceptable. More or less detail should appear in the financial statements or in the notes depending on the circumstances.)

Independent Auditor's Report

We have audited the accompanying statement of financial condition of Sample Stock Savings and Loan Association as of September 30, 19X2 and 19X1, and the related statements of operations, stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sample Stock Savings and Loan Association as of September 30, 19X2 and 19X1, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

[Signature]

[City]

[Date]

Notice

At the date of publication the AICPA has under consideration revisions to the Savings and Loan Associations Audit Guide.

Sample Stock Savings and Loan Association

Statements of Financial Condition

(In Thousands)

	September 30	
	19X2	19X1
Assets		
Cash (including certificates of deposits of \$1,300, (19X2) and \$2,400, (19X1))	\$ 1,563	\$ 2,751
Securities purchased under agreements to resell	10	11
Investment securities		
U.S. government (including agencies) market value \$2,346, (19X2) and \$2,141, (19X1)	2,400	2,200
Municipals		
Market value \$1,970, (19X2) and \$2,474, (19X1)	2,125	2,565
Other		
Securities carried at market in 19X2 and at cost in 19X1 (cost in 19X2 of \$411, market in 19X1 of \$283)	365	275
Mortgage-backed certificates, market value \$8, (19X2) and \$7, (19X1)	8	7
Loans receivable, net	136,134	119,998
Real estate		
Acquired in settlement of loans less allowance for losses of \$86, (19X2) and \$70, (19X1)	1,101	1,424
Acquired for development	1,120	1,176
Office properties and equipment, at cost, less accumulated depreciation of \$1,127, (19X2) and \$1,006, (19X1)	5,034	4,794
Federal Home Loan Bank stock, at cost	3,061	2,254
Accrued interest receivable	844	736
Other assets	628	275
	<u>\$154,393</u>	<u>\$138,466</u>

	September 30	
	19X2	19X1
Liabilities and Stockholders' equity		
Savings accounts	\$119,162	\$114,532
Advances from Federal Home Loan Bank	24,880	13,500
Securities sold under agreements to repurchase	10	10
Other borrowed money	1,362	2,800
Advances from borrowers for taxes and insurance	701	678
Federal income taxes		
Current	36	29
Deferred	234	187
Other liabilities	2,287	1,135
Total liabilities	<u>148,672</u>	<u>132,871</u>
Stockholders' equity		
Capital stock—\$1 par value, 500,000 shares authorized; 297,340 shares issued and outstanding	297	297
Additional paid-in capital	149	149
Retained earnings—substantially restricted	5,321	5,149
Net unrealized loss on marketable equity securities	(46)	—
Total stockholders' equity	<u>5,721</u>	<u>5,595</u>
	<u>\$154,393</u>	<u>\$138,466</u>

The accompanying notes are an integral part of the financial statements.

Sample Stock Savings and Loan Association Statements of Operations

(In Thousands)

	Years Ended September 30	
	<u>19X2</u>	<u>19X1</u>
Income		
Interest on loans	\$10,260	\$8,667
Interest and dividends on investments	494	425
Gain (loss) on sales of investments, net	37	(14)
Gain (loss) on sales of loans, net	(63)	27
Other	66	66
Total income	<u>10,794</u>	<u>9,171</u>
Interest on savings accounts	7,007	6,048
Interest on advances and other borrowing	1,512	777
	8,519	6,825
Less interest capitalized	<u>(98)</u>	<u>(71)</u>
	8,421	6,754
Net interest income	2,373	2,417
Provision for losses on loans and real estate	<u>90</u>	<u>80</u>
Net interest income after provision for losses on loans and real estate	<u>2,283</u>	<u>2,337</u>
Expenses		
General and administrative expenses	1,404	1,324
Expenses of loans and real estate owned, net	98	96
Other	520	462
Total expenses	<u>2,022</u>	<u>1,882</u>
Income before provision for federal income taxes	261	455
Provision for federal income taxes		
Current	40	29
Deferred	<u>48</u>	<u>111</u>
Total income tax provision	88	140
Net income	<u><u>\$ 173</u></u>	<u><u>\$ 315</u></u>

The accompanying notes are an integral part of the financial statements.

Sample Stock Savings and Loan Association **Statements of Stockholders' Equity**

For the Years Ended September 30, 19X2 and 19X1
(In Thousands)

	Capital Stock	Additional Paid-In Capital	Retained Earnings	Valuation Reserve	Total Stockholders' Equity
Balance October 1, 19X0	\$297	\$149	\$4,833	\$ —	\$5,279
Net income for the year ended September 30, 19X1	<u>—</u>	<u>—</u>	<u>315</u>	<u>—</u>	<u>315</u>
Balance September 30, 19X1	297	149	5,148	—	5,594
Net income for the year ended September 30, 19X2	<u>—</u>	<u>—</u>	<u>173</u>	<u>—</u>	<u>173</u>
Unrealized loss on marketable equity securities	<u>—</u>	<u>—</u>	<u>—</u>	<u>(46)</u>	<u>(46)</u>
Balance September 30, 19X2	<u>\$297</u>	<u>\$149</u>	<u>\$5,321</u>	<u>\$ (46)</u>	<u>\$5,721</u>

The accompanying notes are an integral part of the financial statements.

Sample Stock Savings and Loan Association Statements of Cash Flows

For the Years Ended September 30, 19X2 and 19X1
Increase (Decrease) in Cash
(In Thousands)

	<u>19X2</u>	<u>19X1</u>
Cash flows from operating activities:		
Interest and dividends received	\$ 10,646	\$ 5,504
Interest paid	(3,615)	(2,718)
Cash paid to suppliers and employees	(647)	(1,426)
Income taxes paid	(33)	(93)
Other	<u>66</u>	<u>(47)</u>
Net cash provided by operating activities	<u>6,417</u>	<u>1,220</u>
Cash flows from financing activities:		
Net increase in savings accounts	(274)	(82)
Advances from Federal Home Loan Bank	11,380	14,500
Additional borrowings	400	—
Repayment of other borrowed money	(1,838)	(700)
Net increase in advances from borrowers for taxes and insurance	<u>23</u>	<u>72</u>
Net cash provided by financing activities	<u>9,691</u>	<u>13,790</u>
Cash flows from investing activities:		
Proceeds from sales of securities purchased under agreements to resell	(1)	—
Proceeds from investment securities sold	24,308	5,305
Purchase of investment securities	(24,167)	(6,743)
Principal collected on longer term loans	21,575	18,079
Longer term loans made to customers	(37,864)	(36,643)
Proceeds from the sales of real estate	477	5,092
Expenditures for office properties and equipment	(465)	(457)
Purchase of Federal Home Loan Bank stock	(807)	—
Other	<u>(352)</u>	<u>261</u>
Net cash used for investing activities	<u>(17,296)</u>	<u>(15,106)</u>
Net decrease in cash	(1,188)	(96)
Cash at beginning of year	<u>2,751</u>	<u>2,847</u>
Cash at end of year	<u><u>\$ 1,563</u></u>	<u><u>\$ 2,751</u></u>

Reconciliation of Net Income to Net Cash Provided by Operating Activities

	<u>19X2</u>	<u>19X1</u>
Net income	\$ 173	\$ 315
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	225	220
Provision for possible losses on loans and real estate	90	80
Provision for federal income taxes deferred	47	111
(Gain) loss on sales of investments, net	(37)	14
(Gain) loss on sales of loans, net	63	(27)
Increase in taxes payable	7	11
Increase in accrued interest receivable	(108)	(92)
Increase (decrease) in accrued expenses	1,151	(3,635)
Increase in interest credited to savings accounts	4,904	4,294
Interest capitalized	(98)	(71)
Cash provided by operating activities	<u>\$6,417</u>	<u>\$1,220</u>

The accompanying notes are an integral part of the financial statements.

Sample Stock Savings and Loan Association

Notes to Financial Statements

September 30, 19X2 and September 30, 19X1

Summary of Significant Accounting Policies

Investment securities. Investment securities, except for marketable equity securities, are stated at cost, adjusted for amortization of premiums, and accretion of discounts on purchase. Marketable equity securities have been stated at the lower of aggregate cost or market. At September 30, 19X1, market exceeded cost on these securities, and, as a result, they were carried at cost. A valuation allowance (reducing the carrying value of investment securities to market) was established at September 30, 19X2, by a charge to stockholders' equity. The amount of this valuation allowance (\$46) represents the net unrealized loss on investment securities.

Loan commitment fees. Nonrefundable fees received for commitments to make or purchase loans in the future are deferred together with certain direct costs of underwriting the commitments. For commitments issued to make or purchase loans at market interest rates established at the time the commitments are funded (floating rate commitments), fees and certain direct costs are amortized ratably over the commitment period. For commitments issued to make or purchase loans at market rates established at the time the commitments are issued (fixed-rate commitments), fees and certain direct costs are amortized over the combined commitment (on the straight-line method) and loan (on the interest method) period. Unamortized fixed-rate commitment fees are recognized as income at the time the loans are made or purchased transactions settled.

Loan origination fees, discounts, and premiums. The portion of loan origination fees and certain direct costs of underwriting and closing loans is deferred. The deferred fees and discounts received in connection with mortgage loans made and purchased are amortized to income over the life of mortgage loans, using the interest method. Premiums on purchased loans are generally amortized using the interest method.

Unearned income on home improvement and mobile home loans is amortized over the term of loans using the interest method.

Real estate and other assets acquired in settlement of loans. Real estate and other assets acquired in settlement of loans are recorded at the balance of the loan or at estimated fair value, whichever is less, at the date acquired, plus capital improvements made thereafter to facilitate sale. Adjustments are made to reflect declines, if any, in net realizable values below the recorded amounts. Costs of holding real estate acquired in settlement of loans are reflected in income currently. Gains on sales of such real estate are taken into income based on the buyer's initial and continuing investment in the property. Other assets acquired in settlement of loans consist primarily of reacquired mobile homes.

Depreciation. The association computes depreciation and amortization generally on the straight-line method for both financial reporting and federal income tax purposes. The estimated useful lives used to compute depreciation and amortization are building, forty years; equipment, three to fifteen years; and leasehold improvements, over the life of the lease or the life of the improvements, whichever is less.

Allowance for losses. It is the policy of the association to provide valuation allowances for estimated losses on loans and real estate when a significant and permanent decline in value occurs. In providing valuation allowances, costs of holding real estate including the cost of capital are considered. Major loans, real estate owned including development projects, and major lending areas are reviewed periodically to determine potential problems at an early date. The association's experience has shown that foreclosures on loans result in some loss. Therefore, in addition to allowances for specific loans, the association makes a provision for losses on properties based in part on experience and in part on prevailing market conditions. Additions to allowances are charged to earnings.

Income taxes. Deferral of income taxes results primarily from the practice of preparing tax returns on the cash basis of accounting, while the financial statements are prepared on the accrual basis of accounting, and from different methods of accounting for loan fees.

The investment tax credit is accounted for on the flow-through method.

Notes to Financial Statements

Securities Purchased Under Agreements to Resell

	September 30	
	19X2	19X1
Securities purchased under agreements to resell, including accrued interest		
Mortgage-backed certificates with market value approximating cost	\$ 2	\$ 3
U.S. government securities with a market of \$8 (\$8 at 19X1)	8	8
	<u>\$10</u>	<u>\$11</u>

The association enters into purchases of securities under agreements to resell (repurchase agreements). The amounts advanced under these agreements represent short-term loans and are reflected as a receivable in the statement of financial condition. The securities underlying the agreements are book entry securities. During the period, the securities were delivered by appropriate entry into the association's account maintained at the Federal Reserve Bank of New York (or MBS Clearing Corporation for GNMA securities) or into a third-party custodian's account designated by the association under a written custodial agreement that explicitly recognizes the association's interest in the securities. At September 30, 19X2, these agreements matured within ninety days. The agreements relating to mortgage-backed certificates were agreements to resell substantially identical securities. At September 30, 19X2, no material amount of agreements to resell securities purchased was outstanding with any individual dealer. Securities purchased under agreements to resell averaged \$25 and \$24 during 19X2 and 19X1, and the maximum amounts outstanding at any month-end during 19X2 and 19X1 were \$29 and \$27 respectively.

Securities Sold Under Agreements to Repurchase

	September 30	
	19X2	19X1
Securities sold under agreements to repurchase		
Mortgage-backed certificates with a book value including accrued interest of \$8 (\$8 at 19X1) and a market value of \$8 (\$8 at 19X1)	\$ 8	\$ 8
U.S. government securities with a book value including accrued interest of \$2 (\$2 at 19X1) and a market value of \$2 (\$2 at 19X1)	2	2
	<u>\$10</u>	<u>\$10</u>

The association enters into sales of securities under agreements to repurchase (reverse repurchase agreements). Fixed-coupon reverse repurchase agreements are treated as financings, and the obligations to repurchase securities sold are reflected as a liability in the statement of financial condition. The dollar amount of securities underlying the agreements remains in the asset accounts. The securities underlying the agreements are book entry securities. During the period, the securities were delivered by appropriate entry into the counterparties' accounts maintained at the Federal Reserve Bank of New York (or MBS Clearing Corporation for GNMA securities). At September 30, 19X2, these agreements had a weighted-average interest rate of 8.92 percent (9.23 percent at September 30, 19X1) and matured within one year. At September 30, 19X1, five of the agreements relating to mortgage-backed certificates were agreements to repurchase substantially identical securities. At September 30, 19X2, three of the agreements involving mortgage-backed certificates with a book value of \$4 and a market value of \$4 were transacted with one primary dealer. The mortgage-backed certificates underlying the agreements were delivered to the dealers who arranged the transactions. The dealers may have sold, loaned, or otherwise disposed of such securities to other parties in the normal course of their operations, have agreed to resell to the association substantially identical securities at the maturities of the agreements. Securities sold under agreements to repurchase averaged \$10 and \$9 during 19X2 and 19X1 and the maximum amounts outstanding at any month-end during 19X2 and 19X1 were \$12 and \$10 respectively.

Loans receivable. Loans receivable at September 30, 19X2, and 19X1, consisted of the following.

	September 30	
	19X2	19X1
First mortgage loans	\$135,824	\$122,273
Insured and GNMA guaranteed loans	3,855	1,946
Loans to depositors, secured by savings	1,300	916
Mobile home loans	1,153	654
Property improvement loans	783	620
Other loans	57	52
	<u>142,972</u>	<u>126,461</u>
Less:		
Undisbursed portion of mortgage loans	6,115	5,873
Unearned discounts and net deferred loan fees	624	512
Allowance for losses	99	78
	<u>\$136,134</u>	<u>\$119,998</u>

At September 30, 19X2, and 19X1, loans receivable included \$4,000 and \$4,200, respectively, of loans collateralized by multifamily residential properties the terms of which were modified. Interest on the loans under the original terms would have been approximately \$350 and \$375 for the years ended September 30, 19X2 and 19X1, respectively. Interest income recorded under the modified terms was \$120 and \$100, respectively, for the two years. The association is not committed to lend additional funds to debtors whose loans have been modified.

Allowance for Losses. A summary of the changes in the allowance for loan losses for the years ended September 30, 19X2 and 19X1, is as follows (write-off includes transfers to allowance for losses on real estate acquired in settlement of loans and transfers to other liabilities for amounts related to loans sold with recourse):

Balance, September 30, 19X0	\$ 70
Provision	90
Write-off	<u>(82)</u>
Balance, September 30, 19X1	78
Provision	80
Write-off	<u>(59)</u>
Balance, September 30, 19X2	<u>\$ 99</u>

Savings Account Analysis

Balances by Interest Rate	September 30			
	19X2		19X1	
	Amount	%	Amount	%
5.25% passbook	\$ 47,665	40%	\$ 44,667	39%
Certificate Accounts:				
5.25% to 5.75%	27,407	23	45,813	40
5.75% to 6.5%	17,874	15	12,599	11
6.5% and over	26,216	22	11,453	10
	<u>71,497</u>	<u>60</u>	<u>69,865</u>	<u>61</u>
	<u>\$119,162</u>	<u>100%</u>	<u>\$114,532</u>	<u>100%</u>

Advances from Federal Home Loan Bank. The advances from the Federal Home Loan Bank consisted of the following:

	Interest Rate	September 30	
		19X2	19X1
Due within one year	8½%– 9 %	\$ —	\$10,500
	9%–10 %	12,200	—
	11½%	3,700	—
Other—all due within five years:	7½%– 8 %	2,500	3,000
	9%–10 %	6,480	—
		<u>\$24,880</u>	<u>\$13,500</u>

These advances are collateralized by Federal Home Bank stock and certain first mortgage loans.

Other borrowed money. Other borrowed money consisted of the following:

	September 30	
	19X2	19X1
9¾% note, due August 19X2	\$ —	\$1,637
10¼% note, due August 19X3	290	—
9% mortgage loan, due October 19X9	1,071	1,163
	<u>\$1,361</u>	<u>\$2,800</u>

The 10¼ percent note is collateralized by investment securities with a carrying value of \$375.

The 9 percent mortgage loan is collateralized by lots in a land development project. A principal payment of \$10 is required for each lot sold, with any remaining unpaid balance due in October 19X9.

Retained earnings. In connection with the insurance of savings accounts, the association is required to maintain a federal insurance reserve. In addition, the association is subject to the reserve requirements of the state regulatory authorities. These required reserves, which aggregated approximately \$4,050 at September 30, 19X2, represent a statutory restriction on retained earnings and cash dividends may not be charged against such reserves. A summary of retained earnings restricted by statutory requirements and the amounts available for payment of cash dividends appears in the table below:

Required statutory reserve	<u>\$4,050</u>
Retained earnings available for cash dividends	
Not subject to federal income taxes	425
Subject to federal income taxes, which must be provided at the then current corporate tax rate	<u>847</u>
	<u>1,272</u>
	<u><u>\$5,322</u></u>

Retained earnings at September 30, 19X2, includes approximately \$4,897 for which federal income tax has not been provided.

The association is allowed a special bad debt deduction limited generally in the current year to 8 percent of otherwise taxable income and subject to certain limitations based on aggregate loans and savings account balances at the end of the year. If the amounts that qualify as deductions for federal income tax purposes are later used for purposes other than for bad debt losses, including distributions in liquidation, they will be subject to federal income tax at the then current corporate rate.

Federal income tax. Deferred tax expense results from timing differences in the recognition of income and expense for tax and financial reporting purposes. The sources of the differences and the related tax effects were as follows:

	For Years Ended September 30	
	<u>19X2</u>	<u>19X1</u>
Loan fees recognized for financial reporting purposes when loans are recorded but deferred for tax purposes	\$ 96	\$ 107
Interest capitalized as part of real estate development costs in the financial statements but expensed for tax purposes	98	71
Income and expenses recognized in the financial statements on the accrual basis but on the cash basis for tax purposes	(99)	(6)
Other	(16)	12
Effect of allowable federal tax bad debt deduction applied to above (net of preference tax)	<u>(32)</u>	<u>(73)</u>
	<u><u>\$ 47</u></u>	<u><u>\$ 111</u></u>

The provisions for federal income taxes differs from that computed at the statutory corporate tax rate, as follows:

	For Years Ended September 30	
	<u>19X2</u>	<u>19X1</u>
Tax at statutory rate	\$125	\$218
Increases (decreases) in taxes resulting from:		
Bad debt deduction based on percentage of income (net of applicable preference tax)	(49)	(87)
Provisions for loan and real estate losses	25	21
Other	<u>(13)</u>	<u>(12)</u>
	<u><u>\$ 88</u></u>	<u><u>\$140</u></u>

Pension plan. Effective as of October 1, 19X0 the association adopted Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions." Adoption of the statement, which is accounted for prospectively without adjustment to prior years, increased the association's 19X1 net income by \$50.

A summary of the plan's funding status and the amounts recognized in the statement of financial condition.

	September 30	
	19X2	19X1
	(in thousands)	
Actuarial present value of benefit obligations:		
Accumulated benefit obligation, including vested benefits of \$90 in 19X2 and \$87 in 19X1	\$ 97	\$ 96
Projected benefit obligation for service rendered to date	(113)	(110)
Plan assets at fair value, primarily listed stocks and U.S. government securities	153	140
Plan assets in excess of benefit obligation	40	30
Unrecorded net loss (gain) from past experience different from that assumed and effects of changes in assumptions	(11)	10
Unrecognized net assets at October 19X0 being recognized over 10 years	10	11
Prepaid pension cost	<u>\$ 39</u>	<u>\$ 51</u>

A summary of the components of income follows:

	19X2	19X1
Service cost-benefits earned during the year	\$ 349	\$ 350
Interest cost on projected benefit obligation	938	950
Actual return on plan assets	(2,274)	(2,261)
Net asset gain deferred for later recognition	1,062	1,046
Amortization of unrecognized net asset	(33)	(33)
Net periodic pension income	<u>\$ 42</u>	<u>\$ 52</u>

The weighted average discount rate and rate of increase in future compensation levels in determining the actuarial present value of the projected benefit obligation were 5% and 4.5%, respectively. The expected long-term rate of return on assets was 8%.

In 19X2 and 19X1, \$5 and \$7, respectively, of the vested benefit portion of the projected benefit obligation were settled through the purchase of nonparticipating annuity contracts for certain retired participants and lump sum payments for certain terminated participants. As a result, the association recognized gains of \$2 in 19X2 and 19X1, respectively.

Lease commitments. Rental under long-term operating leases for property amounted to \$92, in 19X2 and \$56, in 19X1. The amounts have been reduced by rental income of \$59, in 19X2 and \$59, in 19X1 from subleases of one to three years in duration. At September 30, 19X2, the minimum rental commitments under all noncancelable leases with initial or remaining terms of more than one year are as follows:

Year Ending September 30	Gross Rental Expense	Rental Income From Subleases	Net Rental Expense
19X3	\$ 151	\$33	\$ 118
19X4	153	21	132
19X5	154	5	149
19X6	154	—	154
19X7	154	—	154
Later years	2,568	—	2,568
Total minimum payments required—net			<u>\$3,275</u>

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